



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

1960

The dollar problem: matching the mission with money ; research paper of the class of 1960, Navy Graduate Comptrollership Program.

George Washington University ; School of Government, Washington, District of Columbia.

<http://hdl.handle.net/10945/31039>

Downloaded from NPS Archive: Calhoun



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

THE DOLLAR PROBLEM---

MATCHING THE MISSION WITH MONEY

Research Report of the 1960 Class
Navy Graduate Comptrollership Program

The George Washington University
Washington, D. C.

THE DOLLAR PROBLEM--
MATCHING THE MISSION WITH MONEY

Research Report of the 1960 Class
Navy Graduate Comptrollership Program

The George Washington University
Washington, D. C.

TABLE OF CONTENTS

	Page
FOREWORD	v
LIST OF CHARTS	vi
INTRODUCTION	1
Chapter	
I. THE COMMANDER'S PLAN FOR MONEY	3
Why the Commander's Share of the	
Budget May be Shrinking	3
The Budget is an "All Hands" Responsibility	5
The Budget Estimate--Determining the Money Needed	7
The Commander's Responsibility in the Navy	
Budget Process	8
A Well-Planned Program of Work	9
A Reliable Forecast of Services and	
Material Required	9
Comparison with Present and Past Budgets	9
Accurate Estimates of Financial Obligations	9
Consideration of Long-Range Requirements	9
Clear and Factual Explanations	9
Alternate Plans	10
II. THE BUDGET CYCLE	11
Budget Formulation	11
Budget Formulation Responsibilities	12
Program Objectives	14
Preparation of Estimates in the Bureaus	14
Bureau Review	15
Review by the Secretary of the Navy	16
Review by the Secretary of Defense	17
Bureau of the Budget Review	18
Congressional Action	20
Preliminary Staff Work	20
House Subcommittee Hearings	22
Congressional Relations	23
House Procedure Subsequent to the Hearings	23
Senate Procedure	24
Joint Conference Committee	25
Budget Execution	25
The Apportionment Process	26
Budget Activity Allocations	27
Allotments	28

Chapter	Page
III. PRESENTATION AND JUSTIFICATION OF THE	
ANNUAL BUDGET	30
Introduction	30
Competition for Money	35
Justification	38
Oral Presentation	43
IV. CARING FOR SCARCE DOLLARS	45
Purpose of Controls	45
Atmosphere and Executive Attitude for Controls . .	46
Tools for Effective Controls	49
Other Tools for Effective Control	50
V. HOW DOES THE COMPTROLLER HELP?	51
Introduction	51
General Functions of the Comptroller	52
What Type of an Officer is the Comptroller? . . .	54
At What Level Should the Comptroller Operate? . .	55
Advice from a Staff Assistant	55
Timely and Accurate Information	57
Information for Making Decisions	57
Information for Financial Planning	57
Information for Measuring Effectiveness	58
Financial Control	59
Manpower and Workload Control	59
Internal Review	59
APPENDIX A TOOLS FOR EFFECTIVE CONTROLS	61
Cost Accounting	61
Definition	61
Purpose	61
Functional Classification	62
Uses of Cost Accounting	63
Work Measurement	64
Developments	64
Coordination and Responsibility	65
Scope	65
Purposes	66
Utilization	67
Requirement for Management Reports	69
Types of Reports	70
Components of an Effective Reporting System . . .	72
Characteristics of Good Reports	74
The Management Engineer	74
Systems and Procedures Analysis	75
Benefits	75
Systems Investigation	76
The Feasibility of Electronic Data Processing. . . .	76
The Approach	77
Defining the Problem	77
Planning the Analysis	78
Problem Analysis	78

Chapter	Page
Economics Involved	79
Educational Requirements	79
Results	79
Selecting Equipment	80
Conclusion	80
SUMMARY	82
BIBLIOGRAPHY	85
ACKNOWLEDGMENT	89
OFFICERS PARTICIPATING IN THIS RESEARCH PROJECT	90

FOREWORD

Operating commands of Naval establishments are ever aware of their need for financial means to implement their rapidly changing programs and multiple activities. Many are unaware, however, of the necessity for intimate participation in the processes of translating requests into acceptable financial language. Also, they are not aware of the established channels and patterns for justification and presentation of requests for implementing funds.

This group study is designed to spotlight the Comptroller as the staff financial arm of the Commander and to identify the path which he must follow through the economic and political fores to pinpoint the most advantageous position for accomplishing financial objectives.

A. Rex Johnson, Director
Navy Graduate Comptrollership Program

January 28, 1960

LIST OF CHARTS

Figure	Page
1. The Budget Formulation Cycle (FY 1961 Budget)	13

THE DOLLAR PROBLEM--

MATCHING THE MISSION WITH MONEY

INTRODUCTION

The commanding officer may neither desire nor need to have a detailed working knowledge of the Navy budget intricacies, but it is imperative that he have an understanding of how "limited dollars" affect the Navy and particularly his command. An effort is made herein to bring about a better understanding of financial management in government within commands.

The Navy's portion of the overall defense budget reflects realistic needs; it is not merely a vehicle for obtaining funds. Annual programs are developed, approved, funded and controlled. It is a financial plan reflecting the Navy's future.

In practice, sufficient funds are never available to finance all programs which have merit. Shrinking dollars and level funding (maintaining the same dollar amount from year to year) in defense spending are limiting factors in determining future operations. New ships, aircraft and their equipment carry ever-increasing price tags. The increased cost of new complex weapons carries over into the higher cost of technical facilities to support them. Maintenance costs are rising steadily because of higher labor and material costs and greatly increased technical requirements for these complex systems.

The present situation will doubtless prevail for the foreseeable future. Therefore the commander must necessarily face realities when

preparing a budget. His felt need must be constantly reevaluated and readjusted to meet ever-changing political and economic conditions.

Having obtained requested funds, proper control is necessary with adequate and timely reporting to provide information for sound decision making. The necessary financial controls, procedures, and methods are herein suggested in some detail; any or all of these may be adapted for use.

The comptroller is the key to a successful financial program. He must be the sustaining financial staff arm of the commander; he must supply timely and accurate information for decision making. He must be a working member of the management team.

CHAPTER I

THE COMMANDER'S PLAN FOR MONEY

In this era of "shrinking dollars" commanders have to give increased attention to better integration of planning, programming, and budgeting and to increased utilization of the budget in day-to-day management at all levels.

The impact of the budget is felt throughout the Navy. Hence, budgeting is becoming more and more of a trained and disciplined approach to most problems.

Financial management is implicit in command. It should be built on a base of good organization and enlightened relationship within a command. The value the Navy receives for its funds depends entirely upon the integrity, common sense, conceptual ability, and realistic planning of the commanders who spend the money. Funds must be expended wisely and for essential purposes only. Considering the implications of continued limited funds and the impact on future naval operations, a commander's ability in budgetary matters and his effective utilization of funds is increasing in importance.

Why the Commander's Share of the Budget May be Shrinking

The Navy faces a "level fund" budget for the foreseeable future--barring an emergency or a radical change in national policies. New high-priority operational requirements, the sky-rocketing costs of new equip-

ment and weapons, the obsolescence of World War II ships, economic inflation--all add up to a possible smaller Navy and decreased spending for all commanders.

Here are some specific examples of the current high costs of Navy items:

Each polaris submarine (FBM) costs about 100 million dollars.¹

The Pacific Missile Range (PMR) ultimate cost is estimated to be about 256 million dollars.²

The Fleet is confronted with the critical problem of "bloc obsolescence" since the bulk of construction was accomplished during World War II. Merely modernizing one of the Essex class carriers costs approximately 60 million dollars.³ A Forrestal class carrier costs roughly 200 million dollars without aircraft and for a CVAN the cost approaches 400 million dollars.⁴ Taking a quick look at aircraft, the unit cost of the new "all-weather" fighter (F-4-H) is 5.6 million dollars.⁵

Carrier landing accidents have an annual dollar loss in aircraft at original cost of about 328 million dollars.⁶ Procurement of new aircraft for the past two years approximates one-third the number needed to balance annual losses (wearout and accidents).⁷

¹Department of Defense Appropriations for 1960, Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, Eighty-Sixth Congress, First Session. Part 1 Policy Statements, p. 655.

²Military Construction Appropriations for 1960, Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, Eighty-Sixth Congress, First Session, p. 829.

³Department of Defense Appropriations for 1960, Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, Part 5, Procurement, pp. 371, 471.

⁴Harvard University Defense Policy Seminar, 1956-57, "Study of Airpower" Hearings, op. cit., Part XI, p. 921.

⁵Ibid.

⁶Department of Defense Appropriations for 1960, Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, Part 4 Operation and Maintenance, p. 528.

⁷Ibid., p. 730.

Wage and material costs increase at an average of 5.6% per year.⁸

Newly developed air search radar cost \$140,000 to install in fiscal year 1959 as compared with \$20,000 to install our best type in fiscal year 1955.⁹

New sonar gear costs \$177,000 to install although \$65,000 paid for its forerunner in previous years.¹⁰

After considering the above examples of increased costs, little individual imagination is needed to understand why the Navy dollar is shrinking within the "level fund" concept.

Similar problems have to be solved by the Army and Air Force. Strong competition for limited funds necessitates difficult decisions within the Department of Defense each year as to which programs merit priorities. Vital programs can be lost because of poor budget planning, estimating, or justifying. Also, vital programs can be sacrificed because of the tenacious defense of "pet" existing programs of minor importance.

The Budget is an "All Hands" Responsibility

The costs of the physical assets of command, (men and things) are continuing to increase.¹¹ The responsibilities of being ready to undertake and complete any assigned mission have not decreased, but the available funds and resources (men and equipment) are limited. We must do the same jobs with less waste and more efficiency. The accomplishment of the mission requires careful financial planning and the directed expenditures of the available funds by properly indoctrinated personnel at all levels of

⁸Ibid., p. 312.

⁹Ibid., p. 309.

¹⁰Ibid., p. 311.

¹¹For example, see Letter to Dr. A. Rex Johnson from Commandant, U. S. Marine Corps, dated 5 November 1959.

command. Today's Navy and the future Navy requires commanders who can provide this planning and direction. The development of the proper atmosphere or attitude for budgeting and financial management within any command is a prerequisite to success.

People, including military officers, do not like budgets or financial controls. These represent restriction. Budgets are associated in many minds with insufficiency and niggardliness rather than with planning and direction. This business of financial management is here to stay. Financial management is affecting all commands, and as the years go on it will affect them even more.¹²

Within the Navy, as in other organizations, a budget is a plan reflecting realistic needs designed to give guidance toward a goal. The budget is not just a vehicle to obtain funds. Budgets are essential in small and large industries; community and social activities; local, state, and the federal government; and even in the home. Military commanders, however, possibly have less freedom of action in determining their budget requirements than the majority of business executives. Individual commanders are usually faced with a pre-determined ceiling set by a senior commander as the basis for developing the best possible plan to reflect and carry out realistic requirements.

In this context, a budget may be thought of as a plan of action expressed in dollar terms for a definite period of time. The means for control of the overall plan of Naval Operations is the budget system.

The budget is a tool to help the commander do the job more effectively as a part of the overall Navy plan. The budget establishes guide points within which the commander must direct his expenditures.

¹²Field address presented by General David M. Shoup, USMC.

The Budget Estimate--Determining the Money Needed

Generally, no uniform procedures exist within the Navy for formulating budget estimates. Through experience, the bureaus and the Marine Corps have developed varying techniques and systems, and although most budget estimates originate at the bureau level in Washington, some bureaus base their fund requests on estimates prepared initially in the field.¹³

Centralized budgeting is practical and expedient for some programs (major procurement and production) and is logically accomplished at the bureau level.

The same basic steps that have been used for years in strategic, tactical, and logistic planning can be used in devising a budget estimate. The broad policies are determined at the top and directed through the command structure. At each level of responsibility, the policies, procedures, and decisions will of necessity become more detailed.

In the planning and programming process, budgeting action plays only a limited part during the early phases, but assumes greater importance as the fiscal year draws nearer. The functions of program planning and budget planning are not integrated, but are aligned with each other. The sequence is as follows:

Objective Plans ---- Development and correlation of long-range, mid-range, and short-range plans.

Programs ----- Transition of plans into programs.

Budget Estimates --- Transition of a program into a budget.¹⁴

Concurrent program and budget planning provides the needed realistic

¹³Office of the Comptroller, Department of the Navy, The Budget Process in the Navy, October 1959, pp. 3-5.

¹⁴U. S. Marine Corps, Manual for Planning and Programming, (NAVMC P-2518) April 1959, pp. 6-13.

timely budget guidance.

Each year the Department of Defense issues guidelines to the military services for budget preparation. The Navy then develops annual program objectives--the part of major programs which can be accomplished during a year. Bureaus and commanders start their detailed budget estimates on receipt of guidance based upon these program objectives.

The Commander's Responsibility in the Navy Budget Process

Within issued guidelines, the commander at each echelon must determine the funds required for carrying out his assigned mission or missions for the budget year and the budget year plus one. The most economical and effective means of accomplishing tasks must be determined. These facts will then be used in preparing budget estimates. Ideally, the commander's budget estimate is a compilation of the component requirements for his command. To attain a realistic budget estimate requires wide participation and support by all members in the command.

Commanders are normally given maximum authority in the administration of their funds. When the funds are allotted the commanders are expected to carry out their mission or missions effectively, economically, and efficiently. Their command prerogatives are not interfered with, but in return they are held accountable for efficient financial operations and must provide detailed information for review agencies and the Congress.¹⁵ The budget estimate is the basic plan--the yardstick for measuring the dollars required to accomplish the assigned mission and the yardstick for expending the funds when they are allotted.

The commander's budget estimate cannot stand alone. That is to say, it cannot be just a figment of the imagination. The budget estimate

¹⁵Field address presented by General David M. Shoup, USMC.

must be supported by realistic cost estimates and justification data based on the following factors:

1. A well-planned program of work. This includes the work to be accomplished in issued program guidance and projected operations. The various methods of obtaining the objectives must be considered and the most economical one should be chosen.

2. A reliable forecast of services and material required. The volume of supplies, services, and equipment must be carefully measured. Personnel requirements have to be weighted. (Experience data accumulated in previous years together with work measurement standards are tools which can be used effectively to make these forecasts.)

3. Comparison with present and past budgets. Past experience is useful in building for the future. Since cost estimates are submitted for the budget year and the budget year plus one, comparison with the last budget year plus one is essential.

4. Accurate estimates of financial obligations. Known price increases must be considered in determining materials and wage increases for personnel.

5. Consideration of long-range requirements. The estimates must be examined for long range implications. How does the effect of present outlays change the outlays of the future?

6. Clear and factual explanations. A valid explanation of the methods used to estimate requirements and costs together with information for carrying on the programs proposed forms the basis of the budget justification. The nature of the written justification varies from program to program. No one best way exists in which to justify and describe a program. Consequently, justification should be based on the most

convincing factual information available.¹⁶ Each echelon commander must adjust detailed subordinate programs and cost estimates so that they fit into a well-balanced operating program which can be used to accomplish the mission in an effective, economical, and efficient manner.

Alternate Plans

The budget estimate, when submitted, has become the expression of the annual costs in terms of dollars, however, annual estimates can be changed by budget decisions of higher command, production limitations, shelf life, and judgment factors.

¹⁶Office of the Comptroller, Department of the Navy, The Budget Process in the Navy, October 1959, pp. 3-60.

CHAPTER II

THE BUDGET CYCLE

The preparation and execution of the Federal Budget for any fiscal year covers about 31 months. This process can be divided into two distinct phases or period: the formulation phase for 19 months and the execution phase for 12 months. These phases will be explained in detail in the following pages.

The Navy is usually involved with three annual budgets at one time. For example, during February 1960, the status of the budgets was:

FY 1960 ----- In process of execution

FY 1961 ----- In process of review before Congress

FY 1962 ----- In process of planning and development

Budget Formulation¹

The budget formulation cycle usually begins in December of each year. The Navy budget cycle begins when policy guidelines are received by the Secretary of the Navy from the Secretary of Defense. The Secretary of the Navy forwards the guidelines with any additional Navy policy guidance to the Chief of Naval Operations and to the Commandant of the Marine Corps and directs the preparation of the annual "Program Objectives".

Approximately 1 February each year the Chief of Naval Operations issues the program objectives to the bureaus and to the Marine Corps.

¹Office of the Comptroller, Department of the Navy, The Budget Process in the Navy, October 1959, pp. 3-6.

At the same time, the Comptroller of the Navy issues a budget call to the same offices requesting that budgets be prepared based on the program objectives.

The bureaus and the Marine Corps are required to submit their estimates and justifications to the Comptroller of the Navy during the early part of July. July and August are devoted to the review of the budget by the Office of the Comptroller, the CNO advisory board, CNO, Commandant of the Marine Corps, and the Secretary of the Navy.

About 1 September, the Secretary of the Navy submits the budget to the Secretary of Defense. From September to December the budget is given final review by the Secretary of Defense, the Bureau of the Budget, the National Security Council, and the President.

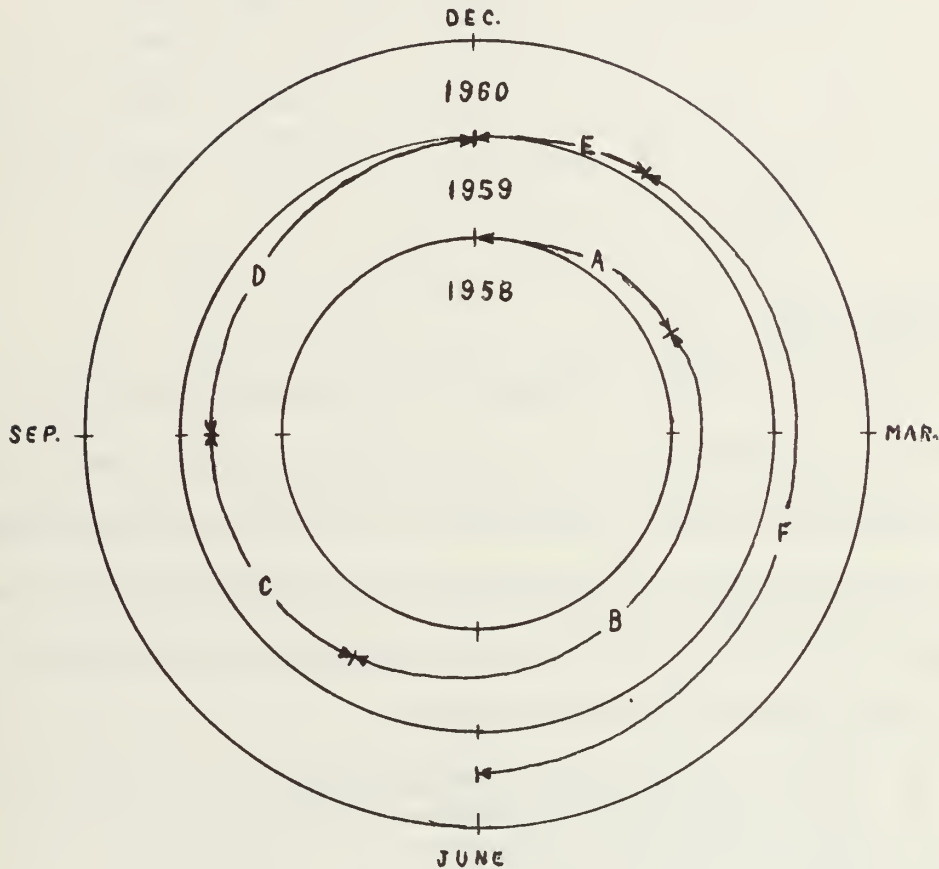
The Defense budget is incorporated into the overall budget for the United States Government and the President submits the proposed budget to Congress in January.

From January through June the budget is reviewed by Congress and, under ideal circumstances, Congress passes the appropriation bills by 30 June. These bills authorize the obligation and expenditure of funds for the new fiscal year beginning on 1 July.

Budget Formulation Responsibilities

The Presidential guidance of the budget usually covers broad areas such as fiscal policy, economic assumptions, and the general level of military effort. This guidance is transmitted to the Secretary of Defense via the Bureau of the Budget. The Bureau of the Budget is charged with the responsibility for the development of the budget of the United States Government.

THE BUDGET FORMULATION CYCLE
(FY 1961 Budget)



- A - Dec 1958 to Feb 1959 - Guidelines are received by the Secretary of the Navy from the Secretary of Defense. CNO issues program objectives. NAVCOMPT issues budget call.
- B - Feb 1959 to 1 July 1959 - Bureaus and Headquarters, Marine Corps prepare proposed budgets and submit estimates and justifications to the Office of the Comptroller.
- C - July 1959 to 1 Sept 1959 - Review of the budget by NAVCOMPT, CAB, CNO, CMC, and SECNAV. Budget forwarded to DOD.
- D - Sept 1959 to early December 1959 - Final review by DOD, BUBUD, the National Security Council, and the President.
- E - Dec 1959 to early Jan 1960 - BUBUD prepares overall government budget. President submits budget to Congress.
- F - Jan 1960 to 30 June 1960 - Congress reviews budget and passes appropriations bills.

FIGURE 1

The Secretary of the Defense provides military and fiscal guidance to the Army, Navy, and Air Force. Very often guidance is provided on a piecemeal basis rather than the desired method of receiving all the guidelines at the beginning. Also the guidelines sometime provide for a target ceiling, which has been subject to some criticism. (The question of whether the budget should be prepared on the basis of pure requirements or to meet a predetermined limitation or target is constantly debated.)

Program Objectives

The annual program objectives are concerned primarily with the plans for accomplishment of the Navy's major programs. These objectives are reasonably attainable goals which are planned for accomplishment during a particular year or which will be accomplished a certain number of years in the future, as in the case of a shipbuilding program. In addition the program objectives include:

1. Personnel strength and force levels.
2. State of training and degree of readiness to be maintained.
3. Deployment of major units.
4. Annual increment of mobilization requirements.
5. Policies in the areas of:
 - (a) Procurement.
 - (b) Mobilization.
 - (c) Personnel.
 - (d) Other.

Preparation of Estimates in the Bureaus

Upon receipt of the program objectives, the bureaus commence preparation of the detailed budget estimates by appropriation. The bureaus have developed various techniques for developing budget estimates. Most budget estimates originate at the bureau level and are therefore largely centrally prepared. Centralized budgeting is more expedient.

Each bureau has a financial organization usually headed by a comptroller. The comptroller serves in a staff capacity to the chief of the bureau and usually has overall responsibility for preparation and execution of the bureau's budget.

The program manager develops the budget estimates for his program. Program managers are program personnel who have the basic responsibility for the development and preparation of initial budget estimates. They seek the answer to three fundamental problems:

1. What is the total program requirement?
2. What resources will be available at the beginning of the budget year to apply against the requirement?
3. What part of the difference between 1. and 2. should be submitted as a budget request?

The development of specific requirements is a very complex and time consuming task. In the procurement area, for example, the program manager must include in his estimates and justifications such factors as inventory on hand, rate of planned production, current usage, and obsolescence. These factors must be considered for each item of material and services required to support the program.

The bureaus have from about 1 February to 1 July to prepare their budgets. Some guidelines are of a recurring nature and are furnished to the bureaus by the Comptroller of the Navy. Additional guidelines, usually dollar ceilings, are furnished with the budget call letter. The overall planning, however, is in the CNO Program objectives. The timing becomes acute when the bureau must go to a field activity for budget information.

Bureau Review

The first review of a bureau's budget is made by the bureau comptroller and his staff. In many bureaus the comptroller holds

hearings attended by program and planning personnel at which time the budget as a whole is considered. The objective of the hearings is to arrive at a budget which can be properly defended and presented before higher level reviews.

The bureau chief usually attends these hearings as a means of becoming familiar with the various programs since he must personally carry the major burden of justifying the budget before higher review levels. Once all programs have been resolved the budget becomes the bureau's proposal of the funds required to carry out its program.

The staff of the comptroller's office in a bureau is responsible for arranging estimates in proper form and for preparing, or having prepared, the written justification required to support the budget. The budget is forwarded to the Office of the Comptroller of the Navy in early July.

Review by the Secretary of the Navy

The review by the Office of the Comptroller is conducted as informal hearings with representatives of the bureaus and the Marine Corps. Then, formal hearings are held with the bureau chiefs and their planning, program, and comptroller personnel have ample opportunity to justify those parts of the budget which require clarification. These hearings are also attended by program sponsors from the Office of the Chief of Naval Operations.

The purpose of the Navy Comptroller review of the budget is primarily to develop a tentative overall Navy budget as a basis for consideration by the CNO Advisory Board and higher officials in the Navy. The central review is also undertaken to insure that:

1. The budget requests conform with program objectives.

2. The fiscal policies and guidelines received from higher authority have been applied in developing the budget.
3. The pricing of programs is reasonable and the programs appear feasible.
4. Interdependent parts of the budget are in balance.
5. Areas not covered by program objectives are in agreement with respect to size and scope of the program.

The Office of the Comptroller, as a staff office, has no authority to make decisions concerning a program. The office is responsible, however, for raising pertinent questions which bear on the budget and should point out budget implications in their discussions.

Once all issues have been resolved the budget is revised as necessary to reflect changes and is forwarded to the Office of the Secretary of Defense.

Review by the Secretary of Defense

Because of the time factor, the OSD review of the budget is held jointly with the Bureau of the Budget review. There is no set rule for this procedure. Staff personnel of the two organizations work closely together and the review is conducted on an informal basis. However, the Bureau of the Budget does not relinquish its opportunity for a later review of the points in question, after the Secretary of Defense has completed his action on the budget.

The staffs of both the Bureau of the Budget and OSD are organized to permit specialization by examiners within the basic areas of the budget. At the hearings representatives of the services are invited to make statements about their requirements and in particular how these requirements were determined. The examiners, who have previously analyzed the written data in detail, then raise questions about individual items, justifications, and assumptions. Although senior representatives of the service participate, a large proportion of the review is carried out by

staff assistants.

Following the review, the OSD sends its "mark up" to the three services. This is a statement of the changes and the allowances on an item-by-item basis with a brief explanation of major adjustments. The three services have a brief period to study the "mark up" and to prepare "reclamas" or appeals for the restoration of part or all of the individual cuts. A series of reclama meetings are then held in the Office of the Secretary of Defense. At these the services present their justification for the important items which have been reduced or eliminated. These meetings are the climax of the budget review and are attended by the budget examiners, and top civilian and military officials from the Office of the Secretary of Defense and the individual services. The Secretary of Defense in some cases makes decisions on the spot while at other times he reserves his decision for further consideration. Following these meetings, the services work with representatives of OSD to make necessary changes in the budget document. About November, the budget request for the entire Department of Defense is submitted to the Bureau of the Budget for review.

Bureau of the Budget Review

While the services and other government departments are formulating their budget estimates, the Director of the Bureau of the Budget meets with the heads of the various departments and agencies to discuss probable requirements for the forthcoming fiscal year. These meetings usually start in the spring or early summer.

Early in June the Director of the Bureau of the Budget makes a general review of materials submitted by his staff. Included is a set of preliminary revenue estimates from the Treasury Department based on a forecast of economic conditions. The Director may also consult with

the Council of Economic Advisors, the staff of the Board of Governors of the Federal Reserve System, or the staff of the Department of Commerce on forecast levels of national income.

After this review, the Director confers with the President and his staff in order to bring to the attention of the President the problems that require his particular decision.

Based on inter-agency and Presidential conferences the Director issues a policy letter to the heads of the departments and agencies. This policy letter covers broad areas such as fiscal policy, economic assumptions, and the general level of the military effort. The policy letter also transmits to the agencies the budget ceilings or targets which have been established by the Bureau of the Budget recommendations and Presidential decisions.

The next step is the "call for estimates". Generally the call consists of a transmittal memorandum calling attention to the Bureau of the Budget Circular Letter A-11 which has been published in permanent form. (A-11 contains instructions for preparing the forms on which estimates are to be presented and a summary of the reports and written materials which are to be submitted with the budget.) Circular A-11 requires that budget estimates be submitted as early as possible in September and in no event later than September 30.

The Director of the Bureau of the Budget, as the budget advisor to the President, must formulate the budget within the framework of the national fiscal policy and the economic goals of the administration. If the budget estimates exceed the revenue estimates from the Treasury Department the projected budget will not be balanced. Therefore a decision must be made either to increase the national debt or to trim the budget.

The Bureau of the Budget studies the budget further, conducts additional hearings as required, and notifies OSD and the services of any changes. Final stages of the executive review process during November and December lead to a Presidential decision on the differences between BUBUD and OSD. In some instances a joint conference is held with BUBUD, the Secretary of Defense, the Council of Economic Advisors, the Secretaries of the services, the JCS, and the President. After the President has made the final decision the budget is prepared and forwarded to Congress.

Congressional Action

Congress has the ultimate power of decision as to which of the Chief Executive's budgetary proposals are to be adopted. The amount of work that has to be done by Congressmen in the performance of their duties is tremendous and the federal system is a complex one. Therefore, in order to perform its work more effectively, Congress divides its labors by using the committee system.

Preliminary Staff Work.--The annual budget estimates must be presented to Congress during the first fifteen days of each regular session. The budget estimates are submitted to the House Appropriations Committee and that portion including Department of Defense estimates are referred by the general Appropriation Committee to the Subcommittee for Defense Appropriations for consideration.² In practice, however, the work of the subcommittee--particularly of its staff--usually begins

²Appropriation bills which affect the Armed Forces are also considered by the Subcommittee on Military Construction. However, in the interest of simplicity discussion will be limited to the Subcommittee on Defense Appropriations because the procedures are similar.

in December. As the agency requests are approved by the Bureau of the Budget, the pages of the budget document are printed and the subcommittee receives page proofs to use as work sheets before the formal presentation of the President's budget.

The responsibility for the presentation and defense of the President's budget before the subcommittee rests with the Department of Defense and the three constituent service departments. Each department prepares justifications for its estimates and submits them to the subcommittee. These justifications are generally similar to those given to the Bureau of the Budget but revised to reflect the President's decisions on the budget. The justifications provide additional detailed information for the subcommittee. They put additional flesh on the bare bones of formal schedules and estimates, and provide means for a more orderly presentation of information than is usually offered at budget hearings.³ The staffs of the subcommittee make extensive use of the justification books in doing the preliminary work for the subcommittees. The staffs compare the current estimates with the estimates of previous years, examine the justifications for weak areas, bring problems or unusual situations to the attention of the members, and in some cases even generate questions for the subcommittee members to bring up at the hearings. The importance of firm justifications cannot be over-stressed. In the opinion of a member of the staff of the House Appropriations Committee, "The content in justification books ranges all the way from pure trash to first class material." The major defect in many justifications is that they are too

³Bureau of the Budget, Management Bulletin, Written Justification of Budget Estimates, June 1947, p. 1.

general.

House Subcommittee Hearings.--The House Subcommittee on Defense Appropriations holds hearings on the defense budget shortly after Congressional receipt of the President's budget message. The chairman of the subcommittee sets the date for the hearings and has his staff inform the witnesses when they are to appear before it and what special areas or topics may be covered in the hearings. The hearings are informal and are not generally open to the public. The record of the non-sensitive portion of hearings is published and made available to the public only after the completion of the hearings.

Each department is responsible for the preparation and organization of its testimony and exhibits. The departmental representatives must support the President's budget and may not on their own initiative try to obtain more from Congress even if their original proposals to the Bureau of the Budget have been reduced. On the other hand, the subcommittee members insist upon witnesses expressing their opinions wholeheartedly as to whether the amounts named in the estimates are, or are not, sufficient.

The questions of the subcommittee members fluctuate from those concerning broad policy issues to some of minute detail, depending on the individual member's particular interests and qualifications. Questions are not limited to the fiscal aspects of the Armed Forces but cover any aspect of any area, program, or policy of the Defense Department. Two examples of questions other than fiscal are:

Mr. Sheppard (California). There also has been some question recently aired in the press by one of our colleagues in the House with reference to GI's used as servants, et cetera.

What is your comment pertaining to the Air Force operations?⁴

Mr. Andrews (Alabama). What would keep the Navy or Secretary of Defense from transferring this money supposedly appropriated for the Marine Corps troops and facilities to some other Navy activity?⁵

Congressional Relations.--One of the most important aspects of testifying (from the point of view of the witness) at a subcommittee hearing is that of inspiring the trust and confidence of the members in the witness. An evasive, hedging witness who does not tell the whole truth will damage his cause in this manner more than in any other way. Congress has no large investigative staff and must depend on the reliability of witnesses in determining needs for appropriations. A witness who cannot be trusted is soon considered persona non grata.

The subcommittee members have other duties in addition to serving on the subcommittee and the membership of the subcommittee is subject to occasional revision and change. For these two reasons the members must rely heavily on their staff assistants. The work of the staff in the examination of the justifications has already been discussed. Therefore, good legislative relations means not only good relations with the members of the appropriations committee, but also good relations with the staff.

House Procedure Subsequent to the Hearings.--After the completion of the hearings the subcommittee goes into executive session to "mark-up" the bill, which consists of determining the appropriation to be recommended and any limitations to be attached to the use of the funds for a

⁴U. S. Congress, House, Hearings on the Department of Defense Appropriations for 1960, Part 3, p. 540.

⁵U. S. Congress, House, Hearings on the Department of Defense Appropriations for 1960, Part 4, p. 390.

particular purpose. After the mark-up, the staff drafts the appropriations bill and the report which accompanies it. The report will give the reasons for the subcommittee's actions and its general observations on the various programs.

The subcommittee's report and bill are submitted to the full House Appropriations Committee. The bill is subject to revision by the committee but rarely is it examined in detail or modified extremely. In short, the subcommittee recommendation is usually the amount finally approved by the Congress.

The Appropriations Committee reports the bill to the House for debate. General debate is usually limited and the House normally does not modify substantially the actions of the Appropriations Committee. After passage by the House the bill is sent to the Senate.

Senate Procedure.--In the Senate the bill is referred to the Subcommittee on Defense Appropriations for consideration. The Senate subcommittee, like its House counterpart, usually begins its preliminary work on the appropriations bill before officially received. The general hearings procedures in the Senate subcommittee parallel those of the House subcommittee. One primary difference is that the Senate directs most of its attention to differences in the amounts of appropriations as requested by the President and as approved by the House. The Senate, as a general rule, usually restores some of the amounts which have been reduced or eliminated by the House and in this respect can be considered a "court of appeals" for the executive branch.

After completion of the subcommittee's hearings and its "mark-up", the bill and the accompanying report are submitted to the Senate Appropriations Committee. The Appropriations Committee rarely modifies

the bill to any extent before submitting it to the Senate for floor debate.

Joint Conference Committee.--If the Senate appropriation bill differs from the House version--and this is usually the case--the differences must be reconciled by a Joint Conference Committee. This committee consists of several members from the appropriations Subcommittees on Defense Appropriations of both Houses. The committee must reach a decision on the amounts to be recommended which will be between the amount proposed by the House and the amount proposed by the Senate. After arriving at a decision the conference committee drafts a compromise bill which is sent to the Senate and to the House for final action.

After the bill has been passed by both Houses of Congress, it is sent to the President for his approval.

Budget Execution

When the budget has been passed by the Congress and enacted into law by the President, the problem of administering the expenditures authorized by the various appropriation acts falls upon the executive departments. Many factors are involved in this problem, but perhaps foremost is the requirement demanding adequate financial management to assure that the various departments of the government live within the budget. To this end, good financial management practice as well as the fear of over-obligation play an important part in the system of limitations and controls exercised in the administration of the appropriation dollar.

Good financial management dictates that we review our budget requirements, which were originated about eighteen months previous to

the President's submission to Congress, and make necessary adjustments to reflect the current position of our budgeted programs. Budget activity allocations, allotments, and project orders as well as the requirement that appropriations be subject to apportionment demand that this review be both extensive, factual and continuous.

The Apportionment Process.--The apportionment process represents one of the basic tools through which appropriations are subjected to final review before an obligation or expenditure can be authorized. An apportionment is a determination by the Bureau of the Budget of the amount of obligation which may incurred during a specific period of an appropriation.⁶ As originally set up, the apportionment process was primarily a device to establish orderly rates of obligation to prevent the need for any deficiency or supplemental appropriation for the period covered by the apportionment. This is accomplished by spreading the appropriated dollars over the life of the appropriation to assure adequate funds to finance the total appropriation period. Single year appropriations are usually apportioned on a quarterly basis while continuing appropriations are normally apportioned annually.

While apportionment is a responsibility of the Bureau of the Budget, the actual detail of the apportionment is furnished by the appropriation manager in the form of a request for apportionment, submitted through official channels to the Budget Bureau. The apportionment process is especially significant here since the request for apportionment is carefully reviewed by the head of the agency administering the appropriation, the Comptroller of the Navy, and the Office

⁶Office of the Comptroller, Department of the Navy, The Budget Process in the Navy, Oct. 1959, pp. 3-6.

of the Secretary of Defense prior to submission to BUBUD. During this review any events affecting the budget through changes in requirements, operations, or other developments since the submission of the budget will be reflected in the apportionment request.

In addition to being an attempt to eliminate over-obligation of appropriated funds, the apportionment process is being used as a method to establish reserves and to effect savings by withholding certain appropriated funds from apportionment to the managing activity. This reserve can either be a voluntary gesture on the part of the appropriation manager or a forced "saving" directed by a higher reviewing authority.

Upon return of the approved apportionment from the Bureau of the Budget to the Navy via the Office of the Secretary of Defense, the appropriation is available for obligation and expenditure within the terms of the appropriation and the apportionment.

All appropriations of the Navy Department are primarily under the control of the Secretary of the Navy; however, every appropriation is assigned, in whole or in part, to one of the bureaus or offices of the Navy Department for the purposes of administrative control. Funds are usually apportioned at this appropriation level only, without further subdivisions to the allotment or project level.

Budget Activity Allocations.--At the same time that the apportionment request is processed, the Comptroller of the Navy sets into motion the approved subdivisions of the appropriation by making master allocations to the various budget activities specifically provided for in the appropriation act. This process is known as "budget activity allocations" and differs from the apportionment process in

that it is concerned with establishing limits on specific activities whereas apportionment is primarily aimed at controlling obligations at an orderly rate. The allocation process is primarily a control device through which a close tolerance can be maintained over the monies as appropriated by the Congress and attempts to insure that changes in programs are cleared with responsible officials prior to implementation.

Allotments.--Meanwhile, as the apportionments and allocations are being firmed-up, the appropriation manager is making his financial plans to support the various activities and projects for which his bureau is responsible so as to insure the continuity of operations at the field level within the framework of the appropriation and the apportionment request. The funding authority of the field activity or subordinate command is usually an allotment granted by the appropriation manager for the accomplishment of a specific function or mission. Basically the allotment is an authorization to incur commitments, obligations, and expenditures chargeable to an appropriation and is essentially a safeguard against the over-obligation of appropriations by making each allottee responsible for the proper management and control of the allotment.

With the receipt of his allotment the field commander is authorized to incur obligations binding the government to payment. However, with the authority to expend appropriated funds goes the responsibility to account for their expenditure.

The importance of timing in the budget cycle has been emphasized in the preceding paragraphs. A tremendous amount of effort is spent at all levels to meet the deadlines which have been

set. Equally important, however, is meeting the deadlines with a well-planned program based on accurate estimates with clear and factual explanations. The next chapter will emphasize the Presentation and Justification of the annual budget.

CHAPTER III

PRESENTATION AND JUSTIFICATION OF THE ANNUAL BUDGET

Introduction

Responsibility for the budget does not end with its completion and transmission to a higher level. Sponsors must be prepared to justify and defend it as it is considered at each level of review. Basically the problem is salesmanship. The customers are the higher reviewing authorities. Sensible customers will not buy something they neither need nor can afford. When they buy they want to know what they are getting and exactly what it will cost. Often the customers worry more about the down payment than how long the installments will run.

The most important quality in this sales endeavor is confidence. If a condition of trust and confidence exists with a customer, selling can be based on reputation alone.¹ With the tremendous competition for the budget dollar and the numerous reviews at all levels, the importance of justification by presentation and the importance of building confidence require maximum attention. The effort and expense in accumulating data on needed programs must not be wasted by failure to justify the needs and effectively to present these justifications. Despite the most thorough preparation, an incorrect impression given to reviewers may undo hours and hours of basic data accumulation and program research.

¹Paul M. Wilson, Clerk, House Committee on Appropriations. Lecture delivered to Navy Graduate Comptrollership Class, George Washington University, 13 Oct. 1959.

Budget justification at the operating level is generally not required; the facts are obvious. Justification to immediate superiors who understand the mission and methods of operation is generally not difficult. However, the final test of salesmanship occurs in justification before higher levels of review--those directly responsible to the taxpayer. Occasionally presentations do not pass this test.

Below are pointed out some of the pitfalls from actual testimony before a Congressional Committee. Bear in mind that the same principles apply at all levels of review. The same generalities should not be repeated year after year without witnesses being prepared with supporting statistics.

REVIEWER. I think what Mr. Whitten and I are trying to reach is a figure for savings from this program, but they are unbecomingly modest year after year in telling us anything about their success. Every year I get this same language, in which I don't think they have even changed the punctuation since the last year. If you will permit me, let me quote the next sentence on that subject. "This program is directing specific emphasis," mind you, "in improving financial management and establishing effective internal controls"--I am sure you are glad to hear that--"in those areas of major expenditure such as"--our old friend--"industrial fund activities and others having major procurement inventories and supply management responsibility." That is simply magnificent. That is beautiful language. But that is all I have.

WITNESS. Yes Sir. If we can get away from the program for a moment. . . .

REVIEWER. That is up to the Chairman. We will get to it sooner or later.

CHAIRMAN. We want you to tell us now about the program, what has been accomplished and what savings have accrued.

WITNESS. Yes, Sir. Here, unlike other programs, we cannot point to specific dollars in most cases because most of the findings relate to improper procedures which, if not corrected, might result in losses in the future, might result in incorrect reports which would cause someone to take some action which would be improper, ship material, buy material, what have you. So they prevent expenditures in the future to a large extent

rather than recover dollars that have gone out or are about to go out.

I have here a list of about 15 interesting sorts of findings and recommendations we have had in the past year in the program.

CHAIRMAN. Have any of them resulted in saving money?

WITNESS. Very definitely, sir.

CHAIRMAN. In reducing manpower?

WITNESS. Unquestionably, sir. One, for example--

REVIEWER. Might I suggest, Mr. Chairman, that he pick out a half a dozen which make him look best and put them in the record, with two or three sentences as to their value to us.²

Witnesses must not beat about the bush and evade questions. A straight forward "yes", "no", or "I am not qualified to answer that" creates a finer atmosphere of confidence.

REVIEWER. I would like to interrupt to ask, if I may. Do you mean to say that the Nation's most important limited war weapon, in your opinion, is the carrier, or do you mean to say that the carrier is the most important Navy weapon for limited war?

My point is, are you brushing aside the Air Force and the Army and saying that of all the weapons available to the United States in a limited war, the carrier is the top?

WITNESS. I would say for the Navy's roles and missions, for conventional defense--that means conventional war--that the carrier is preeminent.

REVIEWER. That is not, of course, the answer to my question, as you know.

WITNESS. I did not deliberately sidestep it, sir.

REVIEWER. My point is, do you say it is the most important limited war weapon of the Navy or the most important limited war weapon, taking into consideration the Navy, the Army, and the Air Force?

²U. S. Congress, House, Subcommittee of the Committee on Appropriations, Hearings, Department of Defense Appropriations for 1960, 86th Cong., 1st Sess., 1959, Part 4, p. 629.

WITNESS. I would say, sir, it is certainly the most important for the Navy and I would like to beg off answering the question for the others because I do not feel competent to give a national estimate.³

Terms unfamiliar to the reviewers should not be used unless explained:

WITNESS. The examination is taken and then, based upon the scores, a national cutting score--

REVIEWER. What is that?

WITNESS. A cutting score is determined in order that a certain number will be available from which to select the most highly qualified candidates.

REVIEWER. I am just a lawyer. This sea language baffles me. What is a cutting score? How do you create this score? What is this?⁴

AND

WITNESS. Yes, sir. In the DDG class of ship, sir, we have experienced--

REVIEWER. When you use these symbols, tell us what they are.

WITNESS. Guided missile destroyers--DDG's⁵

In the use of graphic aids, numbers and trends require repetition in such a way that the transcribed material is meaningful to readers who were not present:

WITNESS. The present program would indicate that we will have the numbers of missiles shown here according to these dates. These are calendar year dates, the completion of these calendar years.⁶

Documented evidence to back up statements is an absolute necessity. Even though the witness offers to obtain the information and submit

³Ibid., Part 5, pp. 285-86.

⁴Ibid., Part 3, p. 351.

⁵Ibid., Part 5, p. 427.

⁶Ibid., Part 5, pp. 278-79.

it later, the impression of non-preparedness or insufficient evidence is left with the reviewers:

REVIEWER. Have you gone far enough to know whether there is any validity to the charge of Congressman Kowalski?

WITNESS. In broad terms I would seriously doubt the entire validity of the statement, but so far as having a documented basis for challenging it, I do not have it at hand at this time.

REVIEWER. It seems to me that if your office is worth its salt it ought to know at this moment, and should have known at the moment the charge was made by a Representative in Congress, whether or not the statement was substantially correct or substantially in error. In other words, if you do not know whether or not there are vast numbers of people being misused in the services at this time, then you are not performing your function very well.

I am sure you would have to agree with that statement.

WITNESS. I have not agreed to the statement that we do not know. I said we do not have documented evidence by which we can prove it, but I can say without any hesitation that the breadth of the charges is not, according to our knowledge, correct.⁷

Testimony must be accurate:

REVIEWER. What is your range on a Rammer Missile, low altitude?

WITNESS. Low altitude 900 miles, sir.

REVIEWER. 900?

WITNESS. Yes, sir.

REVIEWER. That isn't what I have but we are getting closer. I have you at 700 miles on low altitude. That is quite a difference. Maybe you are wrong.

The clerk of the committee hands me something I had not seen, which is headed "Guided Missile Budget 19__." This is your own supporting document. The figures I am reading are almost identical with this.

WITNESS. All right, sir.

REVIEWER. You are wrong, are you?

⁷Ibid., Part 3, p. 29.

WITNESS. All right, sir. I could be wrong.⁸

Unfavorable or critical current events reported in magazine articles, newspaper accounts, and TV programs must be anticipated:

CHAIRMAN. Have you read the article in the March issue of True Magazine? Please give the committee a complete report on this. Have you seen that article?

WITNESS. I have read it, Mr. Chairman. I might add the service has gotten about 30 congressional inquiries on this. I was hoping to have a prepared statement to put in the record. I do not have it, however.

When these Congressional inquiries have been answered I am sure I can have a prepared statement to put in the record for you, sir.⁹

REVIEWER. There was another story in last night's STAR to the effect that \$350,000 would be spent on the Joint Chiefs' offices for moving partitions and opening doors. Do you know anything about that?

WITNESS. No, sir. I only know that in the reorganization of the Department of Defense there was an expansion in the Joint Chiefs of Staff, as you know, and I presume this involves moving them around through the building.¹⁰

Competition for Money

Both the United States and its individual citizens want more goods and services than they can afford to buy at one time. Roads and schools are needed as well as an adequate defense force, but common sense indicates that not everything is within reach. First the size of the fiscal pie must be determined, then a decision is made on how to slice it. Budgeting is slicing the pie--a process of allocating limited funds among various desirable, alternative programs. These programs compete with each other for funds at all levels.

⁸Ibid., Part 5, p. 779.

⁹Ibid., Part 3, pp. 550-51.

¹⁰Ibid., Part 5, pp. 98-99.

At the lowest level the American citizen makes fundamental decisions affecting the size of the gross national product and how it will be allocated among the sectors of private consumption, private capital investment, and government consumption. Citizens make these decisions indirectly by voting for candidates and parties with particular economic and political philosophies. Ideally they vote for candidates who are pledged to support specific monetary, tax, fiscal, and spending programs. In practice, of course, the sovereign right to vote is exercised in a rather intuitive manner without any attempt at analysis of particular programs.

The elected representatives must attune themselves to public opinion and attempt to interpret the desires of their constituents. The President and the Congressman must make a fundamental decision after personal analysis of a problem. Each must decide whether he will follow the mandate of the people or attempt to lead the people to a different solution. When the administration and the Congress have made this decision, they are ready to tackle the budget problem.

The President and Congress must hammer out specific laws that affect the size of the fiscal pie. They make far-reaching monetary, fiscal, and tax policy decisions that directly influence the amount of gross national product and how much of it goes to the private, investment, and government sectors of the economy. Next they must allocate this total amount among the various governmental programs. Technological, economical, political, and international implications influence the competition between defense and non-defense programs.

In recent years the size of the defense slice of the fiscal

pie has been decided before being served to the military.¹¹ Within the Department of Defense the various services compete with each other in the further partitioning of the defense slice. All services have good, valid, even essential programs deserving of support, but the total cost of these programs exceeds the amount of funds available. This is frustrating to military men but the fact remains that the nation has decided (perhaps tacitly) that military spending will be restricted. Following the principle of civilian control over the military, military men can only do their best with the resources entrusted to them.¹²

Within each service the same agonizing analysis, comparison, and allocation of funds among competing programs continues. And it continues on down to subordinate command station levels.

At the higher levels, where funds are allocated among competing programs, the criteria for allocation are rather nebulous. Decisions may be based on politics, philosophy, vested interests, personal preferences, or prior year allocations rather than on a rational comparison of alternatives. Within a military service or within a command or station an opportunity exists at the working level of the comptroller

¹¹Gen. Matthew B. Ridgeway, Soldier (New York: Harper and Bros.: 1956), pp. 288-89.

U. S., Congress, House, Subcommittee of the Committee on Appropriations, Hearings, Department of Defense Appropriations for 1960, 86th Cong., 1st Sess., 1959, pp. 74, 75, 128, 342, 343, 506, 507.

U. S., Congress, Senate, Subcommittee of the Committee on Appropriations, Hearings, Department of Defense Appropriations for 1960, 86th Cong., 1st Sess., 1959, p. 100.

¹²U. S., Constitution, Art. 1, sec. 8 and Art. 2, sec. 2 (1).

for a more searching, objective, analysis of these competing demands. Decisions should be made on the basis of the greatest return of combat effectiveness. Yet, conflicts arise even here. A balance must be achieved between the competing demands of short run and long run preparedness. Where should the money be spent--on manpower for current operations or on research and development for the future? These are the problems and decisions that make budgetary work so difficult, but provide an alert comptroller the opportunity to be of significant value to his commander.

Justification

Having some idea of the fierce competition at all levels for appropriated funds the importance of competent, responsible budgetary justification can more easily be realized. Furthermore, the fact must also be recognized that at all levels of budgetary review persons presenting budget estimates and justifying proposed appropriations are placed in the position of petitioners or pleaders for funds and as such, the burden rests on them to be resourceful and articulate in justifying their program.¹³

The ultimate purpose of budget estimates is to facilitate the financing of government programs. These estimates serve as advance salesmen and, since first impressions are often decisive, must speak for themselves with conviction.

Insight into the requirements of responsible justification may be gained by consideration of the review process. The purposes

¹³U. S., Budget Officers Conference, Training Materials on Budget Formulation in the United States Government (Washington, 1955), chap. i, p. 42.

of budgetary review are:

1. To check for accuracy.
2. To insure compliance with form and content requirements.
3. To secure additional judgment on proposals and forecasts.
4. To provide for consistency and coordination.
5. To inform responsible officials of conditions at lower levels.
6. To provide the basis for authoritative decisions.¹⁴

Inasmuch as Congressional review is the highest level of review, it is often assumed to be broad and general. This is not so. Congressmen base their queries on their experience, knowledge, interests, as well as the interests of their constituents, and items in the public eye. The review is apt to be large in scope, requiring minute detail along whatever avenue the reviewers decide to travel. At all levels, however, reviewers want these questions answered:

1. Is this program needed?
2. What is its priority?
3. Is this program appropriate for this agency?
4. Is the proposed approach a sound one for accomplishing this program?
5. Is the number of personnel proposed consistent with the scope of the program?
6. Is this the right time to start, continue, or complete the program?
7. How were the various costs of the program determined?

¹⁴Ibid., chap. v, pp. 24-25.

8. How do the costs and the program itself compare with last year's scope and costs, or the scope and costs of similar programs?¹⁵

Each of these may be expanded to the fullest and broken down in detail for organization, legality, accuracy, completeness, consistency, economy, methods, duplication, validity of information, relationship to other programs, economic impact, and many others. In short, the review may take any possible direction that appears fruitful in the minds of the reviewers. Budget hearings at lower levels may be somewhat more predictable, but the above basic points of review will be investigated at all levels, but with differences in areas of emphasis.

In other words the explanation and justification of estimates should tell what is proposed, why it should be done, how much should be done, how it will be done, and the best estimate of the lowest cost of doing it. All points must be covered with complete candor and the greatest possible conviction. Establishment and maintenance of confidence is the most effective method of selling programs and financing them.¹⁶

Text material supporting the budget estimates must be brief and to the point--not wordy generalities. The basis for cost estimates must be sold effectively but not in detail beyond the point where significance is lost.¹⁷ Bear in mind that the reviewer must be

¹⁵U. S., Executive Office of the President, Bureau of the Budget, Management Bulletin, Written Justification of Budget Estimates (Washington: Publications Unit, Bureau of the Budget, 1947), pp. 11-13.

¹⁶U. S., Budget Officers Conference, Training Materials on Budget Formulation in the United States Government (Washington, 1955), chap. vi, p. 14.

¹⁷Wilfred J. McNeil, Financial Management in the Department of Defense (Washington, 1954), p. 54.

able to comprehend what is proposed and to find a basis for determining what should be granted.

The officer responsible for the form and content of budget estimate supporting materials must insure that they are specifically adapted to each reviewing level. Relatively detailed but informal presentation is appropriate at lower levels, within a bureau for instance, where a detailed review will point up flaws and weaknesses and assist bureau officials in presenting and defending their budget at higher levels later on. The degree of detail tends to decrease as the content of the budget is broadened to include more than one program or bureau. Higher reviewing authorities place less reliance on form and the detail of paper presentations; instead, emphasis is more on broad written summaries supported in specific detail by oral testimony. The best solution to the problem of how much detail to include seems to be a restriction of the formal justification to minimum essentials while still making available to reviewing authorities a reasonable amount of related detailed information. Many departments of the executive branch have successfully organized their material for presentation to include:

1. A budget digest to provide background information and answer basic questions.
2. A summary and highlight statement covering broad policies and financial assumptions.
3. Explanatory statements at the appropriation level.
4. Justification of performance and costs at the activity level.
5. Supplementary material including graphic presentations as may be requested or otherwise felt to be necessary.

6. Supporting (brief case) material to back up summary statements, especially those not accepted at face value.¹⁸

The budget officer should make certain that the actual written justification of his budget estimates is arranged so as to facilitate either summary or intense review by clearly pointing up major issues with appropriate supporting data. The basic organization of his estimates should be dictated by the nature of the appropriation, activity schedule, and items of particular importance to the reviewing authority. The secondary breakdown may be by organizational units, object classes, or base amounts and changes from base. The written justification should include an introductory statement, section and paragraph headings, and a statement of conclusions or effects preceding the detailed descriptions.

He can easily test the content of any written justification by mentally answering the following questions:

1. Does it honestly and effectively explain the estimate and the judgments entering into its preparation?
2. Is it complete?
3. Is it in proportion?
 - a) Which are the most important areas?
 - b) What will be of greatest concern to the reviewers?
4. Is it explicit? (This is often evidence of a strong case.)
5. Is it brief? (A good salesman knows when to stop talking.)¹⁹

¹⁸U. S., Budget Officers Conference, Training Materials on Budget Formulation in the United States Government (Washington, 1955), chap. vi, pp. 14-23.

¹⁹Ibid., pp. 38-41.

Oral Presentation

The military commander, with the assistance of his immediate staff, is responsible for explaining and justifying his budget before higher reviewing authorities. He must bear in mind, however, that he does not control the hearing but speaks from a subordinate position.²⁰ Needless to say, he and his assistants must be intimately familiar with the content of his budget. They must be prepared to give useful, informative, clear, concise, specific answers to the reviewers' questions. They must realize that their performance of this most important task can make or break his budget.

Some of the more important principles of oral presentation are:

1. Be prepared. Have brief case material and graphic aids organized and be ready to talk facts and figures.
2. Lay necessary summary ground work before discussing detailed requirements.
3. Take the lead in discussing difficult questions; furnish wanted information freely.
4. Answer questions directly, then qualify if necessary.
5. Avoid off-the-record statements if possible.
6. Cooperate with the hearing reporters.
7. Anticipate questions, particularly in the following areas:
 - a) Any difference between the original proposal and the final estimate as submitted.
 - b) Reduction of the program.
 - c) Authority and timing for proposed programs.
 - d) Relation of estimates to expenditures.

²⁰Ibid, chap. i, p. 49.

e) Relation of estimates to current budget, especially increases.

f) Manpower needs and personnel policies.²¹

The annual appropriations by the Congress may not be all that the Navy requests. However, success with the monies allotted will depend upon the methods of financial control. These methods are discussed in Chapter IV and the Appendix.

²¹Ibid., chap. vii, Appendix A.

CHAPTER IV

CARING FOR SCARCE DOLLARS

Purpose of Controls

Planning is one of the primary duties of the commander, assisted by all line and staff executives. Financial control is also exercised by the commander and his staff, but may be centered in the comptroller. Since all planning must ultimately be translated into dollar figures, controls insure that the financial plan and the operational plan are coordinated by comparing actual performance with the plan. The objective of comptrollership is to assist all levels of management in controlling the plan.¹

A control system is no panacea for poor management. It may present a clear picture of what is going on but that is all it can do. That is all it is designed to do. If management is faulty, a control system can only point out the causative factors; management itself must take the required corrective action to improve the situation. No set of control data will take the place of technical "know-how". What it will do is highlight the areas needing additional "know-how", thus making possible more timely corrective action.²

¹James L. Peirce, "The Planning and Control Concept," The Controller, September, 1954, p. 404.

²Harold W. Johnston, Cdr., USN, "Controls and the Comptroller". Unpublished Master's Thesis, Navy Comptrollership Program, George Washington University, 1958, p. 3.

Controls provide commanders with information regarding such matters as: (1) whether goals have been achieved or standards complied with, (2) whether current goals are best suited to assigned missions, (3) the degree of economy achieved, (4) the identification of critical, limiting, or weak elements in the program or operations, (5) whether imbalances exist within the program, and (6) the existence and nature of problems and problem areas.³

Cost control and cost reduction must be working all the time at all levels of management. If a program is wholeheartedly supported by the whole management team, the rewards in the form of cost reductions will be substantial.

Many facets exist in a successful program that are not always so obvious as the measured reduction or control of costs but which have a tremendous impact on the continued success of the command. High morale on the part of supervisors, a feeling of being part of the team, and development of a strong sense of responsibility are but a few of these all-important by-products. These are factors that can't be measured in dollars and cents by the comptroller's department but are nevertheless apparent when present and frequently contribute more to cost reduction in the long run than the more obvious, directly related measured cost factors.⁴

Atmosphere and Executive Attitude for Controls

Today the Department of the Navy must carry out its programs with but approximately 28% of the defense budget. Good management

³L. S. Hoelscher, "Aspects of Army Comptrollership," Armed Forces Management, July, 1955, p. 21.

⁴Harry Woodhead, "Giving Budgeting Appeal to the Foreman," The Controller, July, 1955, p. 327.

assumes increasingly greater import and significance each year. The commander in reality creates the climate for good financial control. The comptroller contributes to good management by presenting to the commander vital information concerning the status of operations. He accomplishes this through a good reports control system. But coordination of operational plans and financial plans should not stop here. The commander must understand controls, use them himself, and furnish leadership in their application. This philosophy permeates through the organization only when the commander and his staff give it being and vitality.⁵

Every dollar spent must be spent wisely. Hereafter the Navy will have to scramble harder than ever to get our job done with the funds available. Those in command and their staffs must create the proper atmosphere for controls, because each supervisor, no matter what his position in the command, must know that his superiors are genuinely interested in spending the allotted funds wisely. Cost consciousness must be a dual approach--from the top down and from the bottom up. But it starts at the top.

If those at the top are solidly behind the program each subordinate on down the line will feel that his superior is interested in his efforts to control costs, and that he will receive the support and recognition due him when he produces.⁶ Some of the most spectacular cost savings come from the so-called lower-end of the line of management.⁷

⁵Peirce, loc. cit., p. 422.

⁶Woodhead, loc. cit.

⁷Ibid., p. 326.

The comptroller can set the stage for such an atmosphere at the command level by taking advantage of every opportunity to discuss the controls program with the commander and his staff. At periodic staff meetings the comptroller should explain the facts brought out by the controls used so that staff officers and heads of departments may see the problems involved and the benefits and savings that can be effected.

The commander and his staff, by using the facts and the recommendations that go with them may institute necessary changes in the organization's plans and create an executive attitude which will greatly assist the control program. By putting controls to good use, the commander demonstrates to his command that benefit is gained from the controls system.

The personal actions of any commander and his staff have a bearing on whether or not those within the command believe that a cost-consciousness program is really present in the minds of their superiors. Consider for a moment the commander who, upon assuming command, orders new draperies for his office and suggests that the rug looks a little frayed and should be replaced. Or the comptroller who calls for a vehicle with driver to take him to another office—a distance he could walk in a few minutes. Practices such as these certainly are not conducive to effective controls. As an excuse for such cases we usually offer that they are minor incidents--yet they destroy the very cost-conscious feeling that we should be building up. These incidents may be small in themselves but thousands, taken together, make an impressive total of manhours and resources that could be saved.

Although examples prevail at every subordinate level the

illustrations used are at the top level for there the attitude for sound controls must start.

The Comptroller of the Department of Defense, the Honorable W. J. McNeil, contributed to good government by setting an example for others within the department. He refused to tap the contingency fund of the Secretary of Defense to pay for official entertaining. He invariably bought a seat on a commercial airline when traveling on official business instead of using one of the government planes assigned to top officials for their use. And whenever he found it more practical to use a government plane, he would board it at Bolling Field instead of National Airport, to save a \$10 landing fee and the fuel burned in flying the Bolling based plane to National.⁸ Here is an executive who practiced what he preached. A similar attitude must prevail at all levels, no matter where in the organizational pattern they may be.

Tools for Effective Controls

Boards and committees should be kept to a minimum. However, the use of a budget and finance advisory committee can assist the commander in attaining effective use of his funds. Key staff officers and the heads of the operating departments of the command should be assigned to this committee with the executive officer or the deputy commander as the chairman.

The committee should review: (1) the annual budget estimate of the command as recommended by the comptroller, (2) the plan for the use of funds allotted, and (3) major changes in the financial plan required by changes in the mission or the operational plans, or by increases or

⁸ Washington Post and Times Herald, Nov. 1, 1959, p. A14.

reductions in the station allotment imposed by higher authority.

The committee should meet when the comptroller is prepared to propose the budget estimate to the commander and the comptroller explain the budget and answer questions about it. Members of the committee recommend changes which the comptroller submits with the budget estimate to the commander.

A similar meeting might appropriately be held when the station allotment is received. The comptroller's new plan, reflecting changes received, is then the subject of discussion.

The committee is not organized to replace the comptroller or to handle any of his duties, but to give him the assistance and cooperation vital to the control function. It is an advisory body which provides closely coordinated staff solutions to financial matters and insures that operational plans and financial plans are headed down the same road. A better understanding of controls and an enlightened command is provided and controls become more meaningful.

Other Tools for Effective Control

A staff should be able to assist its commander in other ways than those mentioned above in controlling scarce dollars. The tools needed will depend on the type of organization involved. Some of these tools---cost accounting, work measurement, management reports, management engineering (systems analysis) and automatic data processing---are discussed in detail in Appendix A.

"Caring for Scarce Dollars" then is an "all hands" job. Any command may be one which requires the help of a trained staff officer. Chapter V tells some of the ways the comptroller can help.

CHAPTER V

HOW DOES THE COMPTROLLER HELP?

Introduction

The Government today is faced with strong pressures to balance the budget, to show a substantial surplus, and to initiate new programs of various types.¹ Coupled with these pressures is the inability of the Government to borrow money on long term financing. As a result, vigorous competition exists between departments for appropriations, and a developing pattern can be observed for a higher degree of selectivity of specific programs and the elimination of marginal programs.² The military comptroller plays the major role in providing the financial data necessary to support and justify military programs under consideration.

Comptrollership is a relatively recent development which cannot be fully evaluated because of its lack of historical performance. Just as the child learns and is conditioned by his environment, so the military comptroller will grow in stature and take his rightful place in the military management organization. The growing acceptance of the comptroller is due primarily to the increasing need of the

¹William Shaub, Chief of Military Division, Bureau of the Budget, in an address before students of The Navy Graduate Comptrollership Program, The George Washington University, December 11, 1959.

²Ibid.

military commander for the services that the comptroller offers.

Actually, the comptroller as he is known today is a product of the times and the dynamic, everchanging economic conditions. This is true for the military comptroller as well as his civilian counterpart. However, industry was quicker to recognize the need for comptrollers than was the military. As a result, military comptrollers have generally fashioned their procedures and functions after those set by civilian comptrollers. Regardless of the area, i.e. civilian or military, a major responsibility of modern comptrollership is to provide management with the financial information and analysis that is essential for making sound business decisions.³

General Functions of the Comptroller

Much has been written about the functions of the comptroller and specific guidelines have been recommended by various organizational levels of the military organization such as the Navy Comptroller and the technical Bureaus.⁴ These guidelines develop and support the financial management program at all levels of the military organization and form the foundation for the functions of the individual comptrollers. Naturally these functions may differ in some particular aspects; however, an underlying pattern prevails for use by all military comptrollers. This pattern falls in three areas:

³Financial Management Handbook (Unpublished), U. S. Naval Air Station Quonset Point, R. I., NASQUONPTINST 7000.1 30 August 1957, p. 2-1.

⁴Navy Comptroller Manual, Office of the Comptroller Department of the Navy, NAVEXOS, P 1000.
Comptroller Organization in Naval Shore Establishments.
 Bureau of Ordnance, NAVORDINST 5450.5B, 31 May 1957.

1. Deciding on adopting and relating a financial plan to the adopted plan of operation that implements the mission of the command.
2. Reporting actual performance which is compared with the operational plan adopted.
3. Reviewing the performance, analyzing the variances from projected standards, and submitting recommendations to correct the variances so that the operational plan can be successfully continued.⁵

All of these areas have their roots in the budget process which has been discussed earlier. One of the comptroller's greatest contribution to a commander is the development and proper execution of the budget. The budget is the basis for requesting funds and is the yardstick by which performance is measured. The budget device is increasingly being used as a tool of informed management. Other tools of financial management such as cost accounting, auditing, work measurement, and progress and statistical reporting are employed not only to plot performance against the standard previously set but also to provide intelligent justification and data to support future budgets. As the merits of good budgeting have become recognized and accepted, commanders have naturally had to rely heavily on financial advice and service of comptroller personnel.

In any organization nearly all significant management actions have some bearing on the budget with the result that budget personnel have an opportunity to contribute in an advisory capacity to many

⁵ Financial Management Handbook, op. cit., p. 2-1.

management decisions.

. . . a new trend in the financial precepts. . . . Ten years ago financial management meant controlling money by saying 'Yes' or 'No' to a program that required money. If you ran out of money before you did programs, the program suffered. Today one hears that you should control your expenses by controlling the events that cause expenses. In other words, financial management is not control of funds but management of operations that cost money.⁶

Comptrollership in no way indicates an usurpation of command or management prerogatives. The comptrollership concept is designed to free the commander from details of information and its collection and analysis, and thereby give the commander valuable time to spend in areas of other facets of management.⁷ The competent comptroller can eliminate trivia and provide the commander with the essential information he needs to know for enlightened, intelligent decision-making.

What Type of an Officer is the Comptroller? The type of officer best suited for this function is one with: (1) an orderly mind seeking causes and patterns of meaning in a mass of facts; (2) perspective to distinguish the important from the unimportant; (3) perspective to view the operations of each department in relation to the whole business; (4) an objective mind which can evaluate the various conflicting forces within the organization; (5) patience to build a foundation of facts and figures for each problem; (6) patience to persuade and indoctrinate rather than to order; (7) a

⁶Capt. J. V. Bewick, USN, Comptroller Naval Weapons Plant, Washington, D. C., in an address before students of The Navy Graduate Comptrollership Program, The George Washington University, Nov. 6, 1959.

⁷William L. Williams, Comptroller, Bureau of Ordnance, in an address before students of the Navy Graduate Comptrollership Program, The George Washington University, Oct. 23, 1959.

personality facilitating meeting and working with people; and
 (8) a high degree of salesmanship to sell the tools of control to commanders and to operating personnel.⁸

At What Level Should the Comptroller Operate?--The comptroller is chiefly a staff officer whose primary function is to gather and interpret data which will assist department heads in determining sound policies. The comptroller cannot expect that the department heads will come to him requesting information for their own guidance. To a certain extent this will be done but generally he must--on his own initiative--determine the needs of each department. He must anticipate the problems which will arise and the information which will be needed for their consideration and resolution.

Undoubtedly the most misunderstood area of comptrollership is that of control. The comptroller does not exercise control in the sense most frequently and generally associated with the term management controls. That is, the Commanding Officer controls through his department heads and they in turn through the supervisors of the branches, sections and units.⁹ The comptroller provides analyses of relevant data for all levels.

Advice from a Staff Assistant

The commander must ensure that the activities of his organization are performed efficiently and economically. Although his overall mission is dictated by higher authority, he must decide the

⁸T. F. Bradshaw, Developing Men for Controllership, Harvard Business School, 1950, p. 18.

⁹Capt. A. R. Weldon, USN--BUAER, Comptrollership--What It Means, 1954.

course of action which will be adopted to achieve the predetermined objectives. Because of the ever-increasing complexity of the command function, "the duties and problems of the command are too numerous and time-consuming to allow the Commanding Officer sufficient time to determine personally everything about his station's financial status."¹⁰ This creates a need for an able and experienced assistant with unit-wide orientation, whose principal job is to provide the commander and his line and staff officers with the facts, figures, and methods of control needed for the successful accomplishment of the mission. The comptroller meets this requirement.

By reason of his duties and responsibilities, the comptroller is vitally concerned with the performance of the entire organization. His work and interests primarily cut across the lines of all departments and reach out into every phase of every operation. Everything done has a dollar impact so the comptroller is in the unique position of being able to view, assess, and evaluate each program in terms of its contribution to the unit's mission and thus can offer impartial advice to his commander regarding what should be done and often how it should be done.

The comptroller can ensure that the various activities of the organization are carried out more efficiently, that funds are planned more wisely, that policies are conceived and executed more intelligently, and that all available resources are utilized effectively. More specifically, the comptroller can assist his commander in three major areas: (1) He can supply facts and information useful

¹⁰ Research Report of the 1958 Class, Navy Graduate Comptrollership Program, op. cit., pp. 74-7.

in making decisions and in controlling the operations of the organization; (2) He can produce the figures and statistical data required for financial planning and for the coordination of the main projects; and (3) he can formulate and implement methods, standards, and procedures necessary for appraising and checking performance.¹¹

Timely and Accurate Information

Information for Making Decisions.--The comptroller's department constitutes "an information center where the comptroller and his staff collect, classify and analyze, and evaluate financial and related information."¹² Through the consolidation and interpretation of these data, the comptroller can generate factual and up-to-date reports to reflect the soundness of the planned programs and the progress made toward the objectives of the plans. These reports, together with his comments and recommendations, can be of invaluable assistance to the commander in reaching sound and timely decisions. As an analyst, the comptroller will always have in mind the problems and viewpoints of the commander and his department heads and will interpret the statistical data accordingly. Before presenting his reports he will ensure that the information included therein will be understood by those for whom it is intended and that the content matter is accurate and, above all, needed.

Information for Financial Planning.--Financial planning is

¹¹T. F. Bradshaw, Developing Men for Controllershship, op. cit., p. 216.

¹²Research Report of the 1958 Class, Navy Graduate Comptrollership Program, p. 69.

one of the most important and essential functions of each organizational unit. It is basic to the subsequent decisions and actions which will be taken to achieve the predetermined objectives. Detailed financial planning is a tedious task and the workability and practicability of adequate and accurate data and estimates depend on the intelligent interpretation of this information by trained personnel. The commander would not be able to supervise this function personally; he needs some centralized head to direct the work, to assemble the estimates, to supervise matters of procedure, and to assist in the analysis and interpretation of final results. The person performing this duty must have a broad background and a thorough knowledge of the policies, objectives and programs of the organization.

Inasmuch as financial planning involves the coordination of every department, no person is better qualified than the comptroller to assist the commander in this time-consuming function. His knowledge of the past, his access to figures and data pertaining to the whole organization, and his experience at appraising pertinent facts and factors make him the most logical individual to assume every aspect of financial planning for his commander. In this phase of operations, however, he must work in close cooperation with his commander and all department heads to achieve maximum uniformity in developing the plans and to ensure compliance with overall policies.

Information for Measuring Effectiveness.—The need for the maximum efforts of the planning staff to chart the course toward sound and realistic goals cannot be overemphasized. However, all these painstaking efforts will be of limited use unless the management is afforded some means of measuring and controlling actual

performance against the predetermined plans. The comptroller department exists for the express purpose of meeting these needs and for focusing the facts and figures on the problems which confront the staff and line officers of the unit. Through his interpretative function the comptroller can provide each group with the pertinent substantiated facts, figures, and analyses required to appraise performance and evaluate effectiveness in the following areas:

- (1) Financial Control. One of the major concerns of the commander and his subordinate officers is to perform their mission within the funds allocated for an identifiable purpose. Necessary statistics must be accumulated, recorded, and reproduced in the form of progress reports to compare actual costs with budgeted costs. These reports help the commander and his department heads to plan their operations for the day-to-day and week-to-week control of the activities of the organization.
- (2) Manpower and Workload Control. Through the production of work measurement reports the comptroller facilitates the assessment of the personnel levels required to perform the mission, the evaluation of the methods and standards in use, and the determination and substantiation of any changes required to attain the balance needed to achieve the most efficient and economical operation.
- (3) Internal Review. The internal review section is the independent appraisal activity within the organization,

established for the review of accounting, financial, and other operations and procedures as a basis for protective and constructive services to the operating departments. Internal reviews provide checks on compliance with existing regulations, verifications and analyses of accounting data and records, and appraisals of the procedures in effect. Resulting reports assist the operating departments in detecting weaknesses and errors, in initiating action to correct irregularities and avoiding them in the future, and in implementing new procedures or amending existing procedures to improve the overall performance.

With ever increasing complex activities and the direct effects of command decisions on the entire organization, the commander and his assistants should look to the comptroller for the tools of control and the assistance and advice needed to exercise responsibilities more efficiently and economically. The comptroller has at his finger tips the facts and figures concerning the operations and can make these facts and figures contribute effectively to sound and economic management.

APPENDIX A

TOOLS FOR EFFECTIVE CONTROLS

Cost Accounting

Definition.--Cost accounting is a system of accounting, analysis, and reporting on costs of production of goods or services, or of operation of programs, activities, functions, and organizational units. It is an integral part of the general accounting system used to assemble in detail costs incurred for labor, material and services. Cost accounts are established to accumulate costs (direct and indirect) and manhours at the level required for management.¹

Purpose.--Cost accounting is a most effective tool for internal control since its purpose is "to help management conduct its business efficiently."² It is designed to furnish management personnel with information for:

1. Controlling the expenditure of funds and man-hours allocated to programs or functions.
2. Controlling the performance at various organizational levels.

¹ Aeronautical Overhaul and Repair Cost Accounting Handbook, NAVEXOS P-12114, p. 1-4.

² Lillian Doris, Corporate Treasurer's and Controllers Handbook, p. 208.

3. Developing standards or norms, in terms of man hours and costs, for accomplishment of various programs in order to make possible more accurate allocation of funds, control of expenditures, determination of personnel requirements, and workload distribution.

4. Developing or revising policies, plans, methods, and practices for the purpose of improving operations.

5. Preparing budget estimates.³

Cost accounting is not an end in itself but rather a means to an end and it is worthwhile only so far as it is useful in administration of the activity. The prime aspect of the cost accounting system procedure is the intelligent use, by management, of the information obtained from the established cost system.

Functional Classification.---Provision should be made to accumulate costs along lines which follow the organizational structures so that both standard and actual performance may be reflected and thereby individual performance measured. By the means of functional accounting, costs are grouped and integrated for meaningful relationship between work measurement data and allotment records. An individual's manhours and costs are always charged against the functional area in which he is employed and not necessarily against his parent area.

The job order system is the best method of accumulating financial data for expenditure and obligation. Instructions for establishment and maintenance of such a system may be found in NAVCOMPT Manual, Volume 3, Chapter 5 and in bureau directives. The job order system is the basic, commonly used method of accumulating costs at activities

³NAVEXOS, loc. cit., p. 1-3.

and all basic documents flow into the job order records.

An activity job order structure which fulfills the following criteria provides an effective medium for accumulating data:

1. Identify the organization making the expenditure.
2. Coordinate Navy-wide expenditure classifications with the work measurement cost classifications.
3. Satisfy all activity and bureau responsibilities involving manpower, dollar, and workload data accumulations.

Uses of Cost Accounting.--The identification of operating costs to specific functions or programs forms the basis for developing an operating budget. Essentially, the purpose of the operating budget is to establish a budgetary control system which closely aligns operating areas of responsibility along lines of authority and develops data for presentation to budget reviewers and administrators in a form amenable to performance justification, analysis, and prediction. The instructions for cost accumulation, therefore, carry the following connotations:

1. The operating command must establish a financial management program requiring costs data (dollars and manpower) to be compiled within functionally consistent and time limited budget and accounting categories.
2. Specific functional costs must be identifiable to substantive programs or to command maintenance and operation services.
3. Specific functional costs must be identified by specific workload accomplishments.
4. Resultant budget responsibilities must be directly assignable to departments.

With the accumulation of costs in the same pattern as

preparing a request for funds, management can conveniently compare actual costs against estimated costs and available standards. Responsible personnel may as appropriate analyze variations and revise the methods of estimating or establish new standards.

Cost accounting provides for the maintenance of allotment control records and for the development of the operating budget plan. It facilitates administration review and support of programs by the activity and bureau. The correlation of cost data with performance statistics (work measurement) offers a useful tool in evaluating accomplishments in terms of the manpower and dollar costs expended.

Work Measurement

Developments.—Progressively, with each new budget year, better financial management will be demanded due to increasingly austere fund and manpower conditions. Increasing "cost consciousness" requires management continuously to evaluate each function. Work measurement provides a tool for management's use in meeting this requirement.

Bureau of the Budget Circular No. A-11 for Fiscal Year 1960 states:

It is important to use work measurement or unit costs in justification of estimates wherever possible. Although the use of statistics must be tempered by judgment, there is no more readily defended method of justifying the requirements for an accepted program of work than by the judicious use of work measurement or unit cost statistics. . . .

The trend in budgeting is the accurate costing of all work areas in arriving at a true performance budget at all levels.

Coordination and Responsibility.--The Comptroller is responsible for coordinating the work measurement program, and for consolidating, analyzing, and interpreting work measurement reports. But work measurement is also the responsibility of many other individuals, from the unit supervisor to the commanding officer. Since it is a means used at the bureau level to decide program assignments, allotment allocations, and personnel ceiling adjustments, the importance of work measurement accuracy and analysis cannot be over-stressed.

Scope.--Work measurement measures group performance rather than individual performance. The system analyzes and evaluates group performance or types of work performed within selected areas. Basically, the system consists of: (1) the identification of units of output which represent functional end products, (2) the recording and reporting of total group effort required for the production of these units, and (3) relating total effort expended to functional end products. The system measures the efficiency of a functional component, and acts as a indicator to management in determining where problem areas exist, allowing for selective analysis and correction.⁴

A properly designed work measurement system includes performance standards which are sound and realistic. The standard rate is that rate established as the basis for evaluation of performance and it is subject to revision as experience dictates.

When work units are identified for measurement purposes, work areas for taking count are established and records are maintained for the purpose of collecting source data. At the end of the accounting

⁴Bureau of Supplies and Accounts Handbook, NAVSANDA Pub 285, p. 5-2.

period work units produced are matched with hours consumed and the actual performance rate determined. In turn, this rate is compared to the planned rate (expected standard) and the resulting product is known as the "performance index." The performance index represents the degree to which actual performance met, failed to meet, or exceeded planned performance.

Purposes.--The purposes of work measurement are: (1) performance budgeting and (2) management improvement.⁵ Properly used it highlights those areas which require management action to adjust the workload-manpower relationship, enabling activities to maintain "balanced operations."

In performance budgeting, work measurement helps management to:

1. Determine, explain and evaluate program cost and personnel requirements.
2. Determine approximate unit costs.
3. Support request for personnel ceilings and fund allotments.⁶

In management improvement, work measurement focuses management's attention on problem areas and permits selective corrective action. It further aids management to:

1. Keep workload and personnel in balance.
2. Analyze performance in comparable operations.

⁵Cdr. R. P. Jeffrey, "Work Measurement in the Naval Shipyard", BUSANDA, Navy Dept., Unpublished, p. 5.

⁶Work Measurement in Performance Budgeting and Management Improvement, Executive office of the President, 1950, p. 7.

3. Indicate the need for management studies.
4. Check results of action taken.
5. Relate the personnel program to management needs.
6. Provide a basis for incentive awards.⁷

Utilization.--Work measurement is primarily useful in developing consistency between workload and personnel, and in establishing budgetary controls. Both budget planning and execution should tie in with material and personnel estimating.

The actual production rate for a function should be followed closely by supervisors to note improvement or decline in productivity. Supervisors can improve production rates by streamlining procedures; by improving the quality of supervision, training, and planning; and by making personnel available for temporary reassignment or granting leave during periods of reduced workload. A decreasing production rate caused by decreasing workload immediately puts the supervisor on notice to examine future workload plans and to begin adjusting staffing in keeping with the workload trend. Production rates may vary for a great number of reasons, such as increasing or decreasing workload, employees in intensified training, above ordinary effort in early stages of workload increase, high or low office morale, periods when leave granted is high, new procedures, elimination or addition of operations, and a variety of local conditions which may affect productivity. The important consideration is that supervisors know what the productivity is and why. A month-to-month grouping of the production rates and their attendant work units and man-hours will

⁷Ibid., p. 8.

point up any significant trends for each measured function. Information of this nature is a valuable management aid, provided reasons for variations are determined and necessary corrective measures taken.⁸

Performance budgeting at activity level is dynamic and not concerned with the end product but rather with the specific operational requirement of each department which contributes to the end product. Screening work measurement data gives an indication when something is probably wrong and requires investigation. By the exception method, weak areas are ferreted out, and poor performance trends and effectiveness are detected.

A work measurement report indicating that the planned production rate was actually reached or even exceeded might not reflect the true facts and, therefore, should not be beyond analysis. Perhaps the standard was too low or perhaps "feather bedding" crept in. Measures of the quality of performance are required to give validity to the productivity measures.⁹ If the standard is not satisfactory it should be reevaluated.

The Commanding Officer must know how his funds and available manpower are used in order to maximize economical operations. Actual performance must be checked against planned performance. Forecasting is an invaluable aid in reaching decisions in staffing, budgeting, and other administrative matters. Over-staffing and under-staffing must be avoided in distributing personnel ceilings and may be precluded

⁸Bureau of Supplies and Accounts Handbook, NAVSANDA Pub 285, p. 5-14.

⁹LCdr R. A. Wells, "The Work Measurement Program--An Appraisal of its Use and Limitations in the Management of a Control Division at a Non-Mechanized Activity", BUSANDA, Navy Dept, Unpublished, p. 28.

by careful forecasting the workload of the command for each function. Highlighted variance information, extracted from work measurement data, will provide the commanding officer with an understanding of his situation and progress, perhaps detect organization structure flaws, and will enable him effectively to guide the operations of the activity.

The work measurement program, when properly administered and coordinated with a comprehensive and consistent station cost accounting and budget program, should furnish management with a means for regulating and for monitoring all expenditures made in support of the activity workload and mission. Frequent review of work measurement enables management to identify possible problem areas and to predict work and expenditure relationships. In addition, work measurement presents a comparison of manpower and costs among functional areas, and permits evaluation of performance.

Requirement for Management Reports

"What in the world are all of these things doing here?" This question no doubt has been expressed by many Commanding Officers. "These things"--the reports--may, at the same time be too many or too few, contain too little information or too much. Reports, however, are required for intelligent action by top management. Significant status-of-work reports can be used to determine in what areas additional emphasis should be placed and what areas should be de-emphasized. Contrary to general opinion, reports do not and never have controlled things or people. Reports are only a path to an end result. Information contained in reports must be acted upon by management and the success or failure of a function of an activity

can be related, in many cases, directly to the quality of a report.

The question of what reports should be stressed is related to the objectives, assumptions, and risks underlying the mission of an activity. These elements are always present in the thinking of top management and management must decide what reports to continue and what reports to eliminate.¹⁰ The comptroller should be of special value in helping the commander to decide specifically the reports he needs.

Probably the most important and most overlooked fact about reports is that they compete with the myriad of other papers top management is asked to read. Reports must be simple, concise, easily understood, timely, and should contain information upon which management can make decisions. "Effective management requires that policy-making and decision-analyzing authorities have accurately analyzed and clearly delineated facts placed before them if they are to make proper policies and render the right decisions."¹¹

Types of Reports.--The two basic types of reports: (1) Staff reports, which involve long range policy formulation and decisions, and (2) operating reports, which involve day to day decisions. To achieve balance between these reports requires a degree of coordination. Additionally, there are special or technical reports which are directed toward a specific problem on a one time basis. After the

¹⁰Peter F. Drucker, "The New Management Tools--And What the Manager can Expect of Them," Readings in Management, ed. Max D. Richards and William A. Nielanders (Cincinnati, Ohio: South-Western Publishing Co., 1958), p. 208, cf.

¹¹From Foreword, Presentation of Ideas, Nav Exos P-1516, Department of the Navy, 1955.

data are collected, the commander must have an individual who is capable of analyzing these data--one who is intimately familiar with the operations of the command and who is able to correlate the data into a meaningful summary. With the summary the commander may wish to consider the following types of "Special Executive Reports" which should be submitted in analyzed form: (1) Monthly progress reports, (2) danger reports, (3) special problem analyses, and (4) progress of command by comparison of budgeted figures with actual performance.¹² A definite emphasis should be placed on the achievement of short range goals as they fit into long range plans, since these must be considered in developing any measurement program.¹³

Deviations from long range plans can quickly present to management danger areas or areas of abundance. In developing reports to measure these one may ask, have objectives been clearly stated? Do the objectives contain a short range goal which mesh with the long range plan? Are the objectives understood by those involved in their attainment? Are there written policies setting the boundaries of acceptable action? Within boundaries of established policy is freedom of action permitted? Are expected results clearly understood? Are levels of performance at varying degrees of sustaining action clearly understood? Are progress and performance measureable? Is there a plan for allocating resources to permit completion of the job at various levels of performance? Has a method for measuring items

¹²From a lecture by Dr. Howard L. Stier, National Canners Association, Washington, D. C., given before the Navy Graduate Comptrollership Program, Fall, 1959.

¹³Robert W. Lewis, "Measurement, Reporting, and Appraising Results of Operations with Reference to Goals, Plans and Budgets," Readings in Management, loc. cit., p. 509, cf.

been established? Are the measurements consistent? Are the results compared to predetermined standards? Are the comparisons made in sufficient time to be able to take corrective action?¹⁴ Reports, per se, are no panacea but merely a management tool.¹⁵

Components of an Effective Reporting System.¹⁶

1. Integrated procedures. The collection of data and the preparation of reports should not require additional people. Reports should be produced in the normal course of business.

2. Specific organizational responsibility. The Commanding Officer should designate a specific organization within his command to be responsible for the preparation of reports. This could mean that reports will be prepared by the line divisions or by any staff division so designated by him. In any event, coordination of reports should be effected, and from this standpoint one division should have the responsibility for preparation and coordination of the reports.

3. Analysis and interpretation. When analyzing reports care should be taken to insure that the data collected accurately represents what it is one wishes to measure. In this respect the base upon which data is collected is all important as the following illustration indicates. To find out how much rabbit and how much horse is in a rabbit-burger one may ask the owner of the stand selling these sandwiches. His answer might be 50% rabbit and 50% horse. However, upon looking further one asks how he figured his percentages and he might say,

¹⁴Lawrence A. Appleby, "Standards of Management Performance," Readings in Management, loc.cit., p. 512, cf.

¹⁵Stier, op. cit.

¹⁶Ibid.

" . . . I mix 'em fifty-fifty: one horse, one rabbit."¹⁷ His analysis and conclusions are true because of the base he used. The point is one must be sure that the base measures what one wishes to measure. In analyzing a report and its underlying data one must understand what the data represents and how it was obtained. The analyst, as mentioned above, must be appointed by top management. Clerks who collect the data should neither analyze data as to trends nor draw conclusions from data collected.

4. Presentation. In presenting reports one must take considerable care in his analysis and presentation in order to save the time of top management. Perhaps one of the most valuable tools available in the way of presentation of reports is a Navy Publication, Presentation of Ideas, Nav Exos P-1516. This manual was designed specifically for "those who must determine the facts to be presented, the significance of those facts, and the way in which they shall be presented."¹⁸ Only figures which have meaning in the decision making process should be presented. Why waste top management's time in listing, for example, pennies when the nearest ten dollars or hundred dollars is the closest figure needed in order to reach a decision?

5. Follow-up. The cardinal rule here is not to follow-up on an automatic basis. When reports show trends which should be brought to management's attention, make a one page report telling management of the situation. A trend may be significant but unimportant. To illustrate, if a new machine was installed in a shop

¹⁷Darrell Huff; How to Lie with Statistics (New York: W. W. Norton and Co., Inc., 1954), p. 114.

¹⁸Presentation of Ideas, op. cit.

and the production of that shop rose from 10 units per day to 100 units per day, this rise is significant. However, it may not be important because this rise was expected due to the new machine. Don't waste management's time with unimportant figures and reports.

Characteristics of Good Reports.¹⁹--

Good reports assume definite characteristics which are:

1. Timeliness.
2. Accuracy.
3. Completeness.
4. Standards for comparison.
5. Simplicity and clarity of presentation.

No attempt has been made here to give specific examples of what to do in specific circumstances. To do so would require a detailed description of all of the factors bearing on the problem.

In establishing an effective and comprehensive reporting system comptrollers can do much in assisting the Commanding Officer to carry out his mission more effectively by pointing out areas of abundance and areas which are critical in nature and which require his immediate attention.

The Management Engineer

An organization should examine the methods and systems of conducting operations because the fundamental reasons for failure lie inside the organization and within the control of management. A possible approach to the problem of increased operating efficiency is to attempt to induce people to apply more effort to work faster, or to simplify the procedures for performing the work so that, with

¹⁹Stier, op. cit.

the same effort, more work will be accomplished.²⁰ The management engineer is the person to make the studies and analyses and devises better and simpler ways for the performance of the required functions of your organization.

Systems and Procedures Analysis.--Systems and procedures analysis consists of the study, analysis, and improvement of the design of planning tools for giving direction to the organization's activities--the development of programs for determining what should happen in the future; and the design of control tools to ensure that the plans are effected and the results evaluated.²¹

Systems may be defined as the means by which the personnel of an organization operate to accomplish the organization's objectives and mission. They provide the medium for translating managerial policies into action, and give 'legal' sanction to a system. They are the formal instruments, frequently written or charted, which govern and prescribe the operations comprising a system.²²

Benefits.--By coordinating all the activities within a workable organizational structure, properly applied systems techniques will enable the organization to produce and deliver on schedule at the lowest possible cost. Systems and procedures analysis conducted by the management engineer can result in:²³

1. Reduction in the operating time cycles.
2. Lowering of inventories.
3. Reduction of errors.

²⁰Norman N. Barish, *Systems Analysis for Effective Administration* (New York: Funk & Wagnalls Company, 1951).

²¹Ibid., p. 2.

²²Ibid., p. 4.

²³Ibid., pp. 3-4.

4. Elimination of unnecessary functions and activities.
5. Greater operating flexibility.
6. Elimination of conflicting systems and operations.
7. Increase in the effectiveness of supervision.
8. Strengthening of the organization structure.
9. Reduction of the clerical cost.

Systems Investigation.---An all-inclusive investigation would cover the overall organizational and operational problems as well as the detailed procedural considerations. Individual systems investigation would be aimed at solving one particular problem or analyzing one particular aspect of the organization.²⁴

A large portion of systems investigations will not call for complete surveys of all aspects of the operations of the entire organization. They will be designed to answer one or several questions or to solve a specific problem.

The objective of the investigation is then not to find the best system but to find the most effective one for an existing organization and layout.

The Feasibility of Electronic Data Processing

"There are three major elements to be considered when determining the feasibility of entering the electronics field: (1) the problem, or scope of the application; (2) the economics surrounding the problem; and (3) the education required to effect a successful

²⁴Ibid., p. 8.

solution by the use of electronics."²⁵

The use of electronics equipment can be justified to process organization records at a higher rate of speed and to attain, at an economic cost, greater use of the data processed. Speed alone is not the sole criteria.

The Approach.--The problem may be approached by: (1) determining if the existing manual or punched-card procedures may be translated or programmed directly into electronic equipment; or (2) a complete problem analysis made without reference to existing procedures. "The second approach is more objective. It will portray a truer picture of the operations and will produce more valid conclusions."²⁶

Defining the Problem.--The speed and complexity of electronics equipment make possible the effective processing of large volumes of data and the isolation of small volumes of data for complex analysis. Manual or punched-card methods do not permit this application from the same unit record card.²⁷

Centralized processing of single-unit applications, maintenance of a satisfactory performance cycle, and attainment of a gratifying operational unit cost is possible with electronics through high-volume processing.

²⁵Robert T. Bruce, Factors in Entering the Electronics Field, from the proceedings of the second annual AMA Electronics Conference, Hotel Commodore, N. Y., February 27-29, 1956. Special Report #9, "Pioneering in Electronics Data-Processing."

²⁶Ibid.

²⁷Ibid.

Planning the Analysis.---The plans for analysis should include: (1) establishment of the overall scope; (2) single-unit application; and (3) consideration of the present methods used in operations. Do not accept these as criteria for an electronics system.

This program should include a new approach or a review of techniques that will produce a more efficient system.²⁸

"Data accumulated should make possible an accurate evaluation and determination of:

- (1) The electronic equipment required to solve the operational problems.
- (2) The specific areas of activity and how they may be interlocked together.
- (3) The volume of data to be processed and the cycle time of reporting.

The results of an overall problem analysis study can be extremely valuable in establishing a well-coordinated, detailed working program to accomplish the desired end result on an objective basis."²⁹

Problem Analysis.---Some fundamentals are the existence and function of any operation is for performance in the overall scheme of things; the basic primary and secondary functions may be determined when the interlocking functions of an organization are defined and coordinated; and each unit discharging defined responsibilities makes decisions which become the data that, when analyzed, describe

²⁸
Ibid.

²⁹
Ibid.

the true functional activity of the unit.³⁰

By arranging in logical sequences the decisions to be made in the discharging of any given responsibility and providing for the interlocking activities resulting from these decisions, an optimum work flow or procedure can be developed. This provides a sound base from which an evaluation of various types of electronics equipment, their abilities, and their potential uses can be conducted.³¹

Economics Involved.--When preparing an analysis of the economics surrounding any given application, the tangible gains and losses can be easily recorded. The common approach is to compare the present annual cost with the estimated cost of the proposed application. Stop the cost analysis if the comparison indicates that it will break even or show a gain. An attempt to evaluate the intangibles is unnecessary because they will always add to the savings effected. Any list of intangibles must be evaluated by the technique of "consensus of opinion," which is only as valid as the intelligence and understanding that go into the opinion.³²

Educational Requirements.--The third element to be considered is education. Perhaps it is the most difficult factor to define and an outline of a program for its accomplishment is equally difficult. Education must be carried on at all levels throughout the organization.

Results.--"Truly fruitful results from automatic data processing systems require a fundamental change in approach, an understanding

³⁰Ibid.

³¹Ibid.

³²Ibid.

that the best applications are not the mechanization or streamlining of existing procedures, but a willingness to rethink the problems of an entire organization in terms of the ultimate goal."³³

Selecting Equipment.--A best system should be designed and equipment should then be fitted as closely as possible to that system (modifying the system when necessary) on the basis of input, storage, and output facilities. Cost must be considered also.³⁴

Conclusion

The very phrase 'feasibility study,' so often used in connection with the study preceding installation of a computer, frequently serves to imply to those conducting the study that they are trying to find an application for a computer. The objective should be to design the best possible information and communication system for meeting the needs of the organization, whether it relies upon a computer, a simple manual and machine system, or entirely upon humans. The whole concept of systems analysis and design, basic to automation, requires a careful and detailed plan for the entire organization if the benefits realized are to be more than marginal.³⁵

If automation is to meet its potential goals, integration of all data processing operations must exist. Automation and its related technology present the means with which to build a machine system that can handle a great number of information-processing tasks simultaneously. The ability to organize work in closer relation to reality is now possible. No longer must the organization of paper work be the day-to-day happening it has always been.

The major obstacle to an investigation of the electronics

³³ John Diebold, "John Diebold Answers Twenty Questions," Automatic Data Processing, March 1959.

³⁴ Ibid.

³⁵ Ibid.

field is not cost. It has been described very well in the following paragraph.

Most of us dislike changes; we oppose them. Every improvement ever made was made reluctantly. Nothing new is considered practical or possible until someone with broader vision than our own does the thing that 'can't be done'; gets better results by methods that 'won't work'.³⁶

³⁶ Robert T. Bruce, op. cit.

SUMMARY

The Navy's budget and the process of its creation is at the heart of all naval operations and administration. A budget is the instrument through which the Navy's annual programs are developed, approved, funded, and controlled. And because the budget affects everyone in the Navy, "all hands" must have an interest in the budget.

In the past few years the Navy has had the same amount of money to accomplish its tasks even though costs are mounting. This is the "level funding" concept. The costs of labor, maintenance, and materials rise about 5 percent each year and weapons cost more and more. New sonar gear, for example, costs \$177,000 to install, as compared to \$65,000 for its forerunner in previous years.

Broad policies and objectives are determined in Washington but the commander provides direction, measurement, and accountability on the local level in order to carry out his mission. Although budgets represent restrictions, to work with a budget is the best way for today's Navy to get the most out of the defense dollar.

Many people are confused by the fact that the Navy may be involved in three budgets at the same time. Between January and June of any year, for example, the Navy is executing the budget of the current year, reviewing the budget for the next fiscal year with Congressional committees, and planning and preparing the budget for the year thereafter.

The budget formulation and execution cycle is a long process.

Thus the budget which goes into effect on 1 July 1960 has been under preparation since December 1958, or 19 months. Considering that the FY 1960 budget will be an additional 12 months in execution, the total process takes 31 months.

The typical budget formulation cycle begins when the Secretary of Defense provides policy guidelines to the Secretary of the Navy, who in turn directs CNO to prepare annual "Program Objectives." Concurrently with the issue of the "Program Objectives" to the bureaus and offices, the Navy Comptroller calls for budget estimates based on the Objectives. After the bureaus and offices formulate their budgets, the estimates start their upward course through review by the office of the Comptroller, the CNO Advisory Board, the Chief of Naval Operations, and the Secretary of the Navy. The Secretary of the Navy presents the budget to the Secretary of Defense about 1 September. The remaining time before presentation to Congress is devoted to review and approval by the Secretary of Defense, the Bureau of the Budget, the National Security Council, and the President. Congress reviews the overall defense budget from January to June, and ideally will pass the appropriation bill by 30 June. Budget execution begins on 1 July and continues through the following 30 June. Funds actually become available by apportionment after the President has signed the Appropriation Act.

Adequate preparation of a budget does not guarantee that the funds requested will be forthcoming. Preparation is merely the mechanical process of tabulating estimates. The real art of budgetary administration lies in the presentation and justification of these estimates. Presentation and justification of estimates may be

considered an art because evaluation of programs is less a matter of fact than emotion; the only fact involved is that not all programs, no matter how deserving they all may be, will be approved.

Perhaps the most important factor in presenting and justifying budgets is developing in the reviewing authority confidence in the integrity and talent of the petitioner. The best way to instill this necessary confidence is by thorough preparation and candid presentation. A reasonable amount of effort spent in this area can be very rewarding indeed.

Once plans are made, the commander must take action to assure that performance conforms to plans. Controls insure that the financial plan and the operational plan are coordinated but there are no simple roads to success. Corrective action is necessary if the control is to have any real influence on results.

The military comptroller is a staff officer who should play the major role in providing financial data necessary for the commander to support and justify military programs.

The comptroller's department is an information center which collects, classifies, analyzes, and evaluates the financial data of the command. As a result the comptroller, with his factual and up-to-date reports, confirms as no other person within the command can, the operating status of the command and its ability to stand up under internal and external scrutiny.

Command function today is too complex to allow the commanding officer sufficient time to determine, personally, his activity's financial status. He must depend on the comptroller, an able and experienced assistant with unit-wide orientation, to supply that information.

BIBLIOGRAPHY

Public Documents

U. S. Congress, Subcommittee of the Committee on Appropriations. Hearings, Department of Defense Appropriations for 1960, 86th Congress, 1st Session, 1959.

U. S. Executive Office of the President. Bureau of the Budget Publications:

Budget Formulation, Washington, D.C., 1951.

Budget Circular A-11, Washington, D.C., 1959.

Budget Circular A-34, Washington, D.C.

Management Bulletin Written Justification of Budget Estimates, Washington, D.C., 1947.

Work Measurement in Performance Budgeting and Management Improvement, Washington, D.C., 1950.

Budget Officer's Conference Training Materials on Budget Formulation in the United States Government, Washington, D.C., 1955.

Navy Department Publications

Office of the Secretary of the Navy
Aeronautical Overhaul and Repair Cost Accounting Handbook, NAVEXOS P-1214

Presentation of Ideas NAVEXOS P-1516, 1955

Navy Comptroller Manual NAVEXOS P-1000

Office of the Comptroller. The Budget Process in Navy, October 1959.

Bureau of Ordnance, Comptroller Organization in Navy Shore Establishments NAVORDINST 5450.5B 31 May 1957.

Bureau of Supplies and Accounts, Bureau of Supplies and Accounts Hand Book, NAVSANDA Pub. 285.

USMC Manual for Planning and Programming, NAVMC P-2518, April 1959.

Books

- Barish, Norman N. Systems Analysis for Effective Administration. New York: Funk and Wagnalls Company, 1951.
- Bradshaw, T. F. Developing Men for Comptrollership. Harvard Business School, 1950.
- Burkhead, Jesse. Government Budgeting. New York: John Wiley and Sons, 1959.
- Doris, Lillian. Corporate Treasurer's and Controller's Handbook. New York: Prentice-Hall Inc., 1951.
- Huff, Darrel. How to Lie with Statistics. New York: W. W. Norton and Company, Inc., 1954.
- Maynard, H. B. Industrial Engineering Handbook. New York: McGraw-Hill Book Co. Inc., 1956.
- Richards, Max D. and Nielander, William A. Readings in Management. Cincinnati, Ohio: South-Western Publishing Company.
- Richmond, Samuel B. Principles of Statistical Analysis. New York: The Ronald Press Company, 1957.
- Ridgeway, Gen. Matthew B. Soldier. New York: Harper and Bros., 1956.
- Smithies, Arthur. The Budgetary Process in the United States. New York: McGraw-Hill Book Co. Inc., 1955.

Articles and Periodicals

- Curley, John Richard, "A Tool for Management Control," Harvard Business Review, March 1951.
- Diebold, John, "John Diebold Answers Twenty Question," Automatic Data Processing, March 1959.
- Houelscher, L. W., "Aspects of Army Comptrollership," Armed Forces Management, July 1955.
- Pierce, James L., "The Planning and Control Concept," The Controller, September 1954.
- Sherwin, Douglas S., "The Meaning of Control," Dun's Review and Modern Industry, January 1956.
- Washington Post and Times Herald, November 1, 1959, p. A14.
- Woodhead, Harry, "Giving Budgeting Appeal to the Foreman," The Controller, July 1955.

Unpublished Material

Carlson, F. B. E., Capt. SCR, USNR. "The Budgetary-Accounting Structure of the United States Government," Library, Bureau of Supplies and Accounts, Department of the Navy, Washington, D. C. (Mimeographed).

Jeffery, R. P., Cdr. USN. "Work Measurement in the Naval Shipyard," Bureau of Supplies and Accounts, Department of the Navy, Washington, D. C. (Unpublished paper).

Johnston, Harold W., Cdr. USN. "Controls and the Comptroller," Navy Comptrollership Program, The George Washington University, Washington, D.C. (Unpublished masters thesis).

Wells, R. A., LCdr. "The Work Measurement Program--An Appraisal of its Use and Limitations in the Management of a Control Division at a Non-Mechanized Activity," Bureau of Supplies and Accounts, Department of the Navy, Washington, D. C. (Unpublished paper).

Field Address by Gen. David M. Shoup, Commandant, Marine Corps.

Lectures Before the Navy Graduate

Comptrollership Program

Bewick, J. V. Capt. USN, Comptroller, Naval Weapons Plant, Washington, D. C., November 6, 1959.

Shaub, William, Chief of Military Division, Bureau of the Budget, December 11, 1959.

Stier, Dr. Howard L., National Canners Association, October 6, 1959.

Williams, William L., Comptroller, Bureau of Ordnance, October 23, 1959.

Wilson, Paul M., Clerk, House Committee on Appropriations, October 13, 1959.

Other Sources

Anthony, Edward L. "Effective Control for Better Management." Management Aids for Small Manufacturers, Small Business Administration, January 1957.

Bruce, Robert T. "Factors in Entering the Electronics Field,"
Special Report No. 9. Pioneering in Electronic Data
Processing. Proceedings, Second Annual A. M. A. Electronics
Conference, Hotel Commodore, New York, Feb. 27-29, 1956.

Commandant Marine Corps Letter to Dr. A. Rex Johnson, Dated
November 5, 1959.

McNeil, Wilfred J. Financial Management in the Department of
Defense, Washington, D. C., 1954. Unpublished Master's thesis.

U. S. Naval Air Station, Quonset Point, Rhode Island, Financial
Management Handbook, NAVQUONPTINST 7000.1, August 30, 1957.

Weldon, A. R. Cdr. USN. "Comptrollership, What it Means,"
Bureau of Aeronautics, Department of the Navy, Washington,
D. C., 1954. Unpublished Master's thesis.

ACKNOWLEDGMENT

We express our sincere appreciation for the assistance rendered to us by civilian and military personnel in the Navy Department in Washington and other areas, in the preparation of this paper. Also to various members of Appropriation and other committees in the Congress as well as to librarians who patiently and efficiently sought out information for us.

OFFICERS PARTICIPATING IN THIS RESEARCH PROJECT

U. S. NAVY

Clayton L. Anderson	CDR
Raymond H. Bates	LCDR
Eugene B. Berger	CDR
William W. Coons	LCDR
Hugh McL. Gray	CDR
Perry Hall	CDR
Ervin F. Hodge	CDR
Bernard H. Hunt	LCDR
John R. Johnson	LCDR
Huston B. McClure	CDR
William H. Mayer	LT
William M. Oller	LCDR
Craig E. Randall	LCDR
Paul B. Smith	CDR
Frank L. Spillman	LCDR

U. S. MARINE CORPS

Jack O. Arford	MAJ
Robert W. Calvert	MAJ
Elvyn E. Hagedorn	CAPT
Charles R. Kennington, Jr.	MAJ
David W. McFarland	LTCOL
Harold E. McKinney	CAPT
Charles R. Poppe, Jr.	CAPT

U. S. COAST GUARD

Graham Hall	LT
-------------	----

ROYAL CANADIAN ORDNANCE CORPS

Roger Laperriere	MAJ
------------------	-----

